



POLNORD SA
CAPITAL GROUP

CONSOLIDATED HALF-YEARLY REPORT
FOR THE PERIOD FROM JANUARY 1ST 2014 TO JUNE 30TH 2014

CONTAINING
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 01.01.2014 TO 30.06.2014
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

GDYNIA, AUGUST 29TH 2014

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A. MANAGEMENT REPORT ON ACTIVITIES OF POLNORD SA CAPITAL GROUP FOR THE PERIOD
FROM JANUARY 1ST 2014 TO JUNE 30TH 2014

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I COMPANY INFORMATION

Unless the context indicates otherwise, the terms “Company”, “Polnord SA”, “Polnord”, “Parent Company” or other terms with similar meanings and their grammatical forms shall mean Polnord SA, while the terms: “Group”, “Capital Group”, “POLNORD Capital Group” or other terms with similar meanings and their grammatical forms shall mean the Capital Group composed of Polnord SA and entities subject to consolidation.

The term „Report” shall refer to this Consolidated Report for first half of 2014, and “Director’s Report” applies to the Report of the Management Board on the business operations of the Polnord SA Capital Group for the period from 01.01.2014 to 30.06.2014, and “Consolidated Financial Statements” means the consolidated financial statements of the Polnord SA Capital Group for the period from 01.01.2014 to 30.06.2014.

1 INTRODUCTION

Polnord SA is one of the most experienced companies on the construction and developer market in Poland. It was established in 1977 as a construction export general contractor. In 1988, it was named Polnord. In 1999, the Company's shares were introduced to trading on the Warsaw Stock Exchange main market. The Company is currently listed in WIG 50 and WIG-Deweloperzy indices.

Since 2007, the core business of Polnord Group has been development and sale of residential and commercial properties. Polnord implements development projects through special purpose vehicles, which are established without or with partners. Polnord Group operates mainly on the Polish market (especially in Warsaw, Tricity, Szczecin, Łódź and Wrocław), and to a smaller and smaller extent on the Russian market.

The Company's objective is to maximize the value of the Company, in the interests of its shareholders, by building a leadership position on the housing market. According to the Polnord Group strategy, the Group is firmly committed to increasing the volume of housing sales by focusing on the segment of residential real estate in the most absorbent and fast-growing markets in Poland - Warsaw and Tricity, to reduce general and administrative expenses and to reduce the level of the Group’s debt. Polnord SA is a founding member of the Polish Association of Developers with its purpose being promoting a code of good practices in the customer – developer relations. Polnord SA holds the Developer’s Certificate continuously since 2000 which is awarded by the Polish Association of Developers and confirms the Company’s professionalism as well as guarantees its integrity in acting for the benefit of a customer.

Polnord Group has one of the largest land reserves among Polish developers. Employing the experience and know-how from the investing and developing activities, Polnord has completed its projects in Warsaw (housing estates: Dobry Dom and Śródmieście Wilanów at Kazachska, as well as Królewskie Przedmieście at Aleja Rzeczypospolitej on Pola Wilanowskie), in Łódź (City Park complex at Żeligowskiego), in Gdańsk (housing estates: Ostoja Myśliwska at Morena and 2 Potoki at Czerwińskiego/Przywidzka), in Sopot (Sopocka Rezydencja at Łokietka), in Olsztyn (housing estate Tęczowy Las) in Szczecin (Ku Słońcu at Kazimierska). Moreover, for several years it also successfully implements its investments in commercial premises sector, managing Wilanów Office Park project in Warsaw.

2 MARKET ENVIRONMENT

The sentiment in the Polish property developer market has steadily increased since the beginning of 2013. The factors stimulating demand in the residential market include historically low interest rates and relatively low prices of real estate. The level of interest rates translated to higher repayment capacity of private individuals due to lower cost of loan service. Important occurrences in the market environment also included: signs of stabilised economic growth, updating the ratios applied in the Apartment for the Young programme ("AFY" programme) and the information on the shrinking offer and growing prices of apartments.

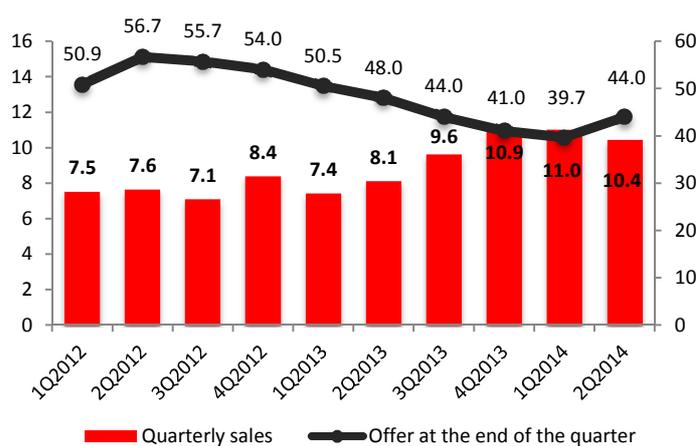
In IH 2014, there was an outflow of capital observed from low-interest deposits to the real estate market, which started in 2013. Customers bought units to satisfy their residential needs and as an investment – for rent. The index of price movements shows price stabilisation in all cities. The situation, however, differs in the

Figure 1. NBP reference rate in 2012-2014



Source: NBP

Figure 2. Number of flats sold on the primary market in Warsaw, Tricity, Crocowa, Wrocław, Poznań and Łódź from 2012 to the first half of 2014 (in thousands)



Source: REAS

individual cities. In Gdańsk, Łódź and Poznań, there was growth in prices recorded. In Warsaw, Kraków and Wrocław, the average prices of apartments dropped. The price limits for participation in the AFY programme were a factor influencing sales and prices of apartments.

41.9 thousand units were sold in the last four quarters. Demand was significantly impacted by the announcement of the plans to implement Recommendation S III in 2014. According to the new provisions of the Recommendation, the banks can no longer offer home mortgages at 100% of the property price. From 2014, the required own contribution is a minimum of 5% of the property's value.

Sales grew over the last 4 quarters by over 16% compared to the corresponding, record-breaking period of 2007. In IH 2014, the residential market, especially in the popular apartment segment, was significantly influenced by the AFY programme. As a result of the opportunity of obtaining subsidies to the own contribution, the impact of introducing Recommendation S III around the same time was set off. The repayment capacity of the buyers availing of the programme was improved in real terms. In IH 2014, PLN 187 million was used for subsidies. In cities where a large portion of the units available meets the requirements of the AFY programme, the interest in apartments subsidised by the government is significant. The largest beneficiaries among the cities are Warsaw, where the buyers obtained subsidies for PLN 24 million, and Gdańsk, where the subsidies came in at PLN 19.4 million.

The second programme of material significance for the real estate market will be “Apartments for rent fund”. The programme, prepared by the government jointly with Bank Gospodarstwa Krajowego, envisages investing PLN 5 billion in purchase of real estate, intended for rent. The portfolio of the fund will ultimately cover 20 thousand units, including entire buildings that are to be purchased from developers. The final details of the programme are being worked on, yet according to the announcements, the first units should be purchased until the end of 2014.

3 POLNORD SA CAPITAL GROUP STRATEGY

Polnord’s objective is to maximise the value of the Company, in the interests of its Shareholders, by building a leadership position on the housing market and optimising the operating activities. The Company’s strategy adopted at the end of 2012 is based on four pillars.

Significant increase in the volume of units sold

The Group's strategic objective is to achieve annual sales in excess of 1,300-1,500 units already in 2014 (i.e. approximately 30% more than in 2013). To achieve this goal a dynamic extension of the offer is necessary. Polnord is constantly looking for new investment opportunities that will enable an increase in sales. The Company is preparing to buy land in prime locations, e.g. in Warsaw and Tricity, and is starting new, high-margin investments in cooperation with its business partners.

Focus of activities on the housing market

Polnord focuses its activities on housing projects on the Polish market, particularly in Warsaw and Tricity and their suburbs. These are very absorbent and fast-growing markets which enable profitable development investments. The vast experience of the Company and its knowledge of local markets is a competitive advantage of Polnord.

Reduction of selling, general and administrative expenses

The Company continued to reduce operating costs, in particular selling, general and administrative expenses. The Group's objective was to reduce in 2013 the selling, general and administrative expenses by approximately 17-20% compared to 2012, and in subsequent years to stabilise them at approximately PLN 28 million per year (excluding expenses of Fadesa Polnord Poland and its subsidiaries).

Debt reduction

The strategic goal of Polnord’s Management Board is to reduce the Group’s net indebtedness to the level of PLN 425 million as of the end of 2014. Funds for the debt reduction will come primarily from proceeds resulting from increased sales of apartments, sale of non-operating assets that are unrelated to the principal activity of the Company and from compensations received.



4 ACTIVITY SUMMARY OF THE FIRST HALF OF 2014

Focus of activities on the housing market and increase in the volume of units sold

As of the end of IH 2014, Polnord Capital Group was implementing 17 residential projects comprising 2,400 units with 127 thousand sq. m of unit usable area (UUA) and in IH 2014, the Group commenced the construction of 1.150 units with the total area of approx. 61 thousand sq. m., within the investments located in Warsaw, Wrocław and Łódź. The Group plans to launch the implementation of 10 new development projects or consecutive phases of the already implemented projects by the end of 2014, which will increase the Group's offer by 2,600 flats, including those initiated in IH 2014.

Under IFRS, sales revenues are recognized in profit or loss at the time of the handover of the premises, which does not fully reflect the Group's activity in the reporting period. In order to present the results of the Group's activity in IH 2014 the table 1 below was prepared, showing the impact of the signed agreements – in this period – on the result and operating cash flows that will be recognized in the financial statements at the time of handover of the units.

Table 1. Expected operating income and planned direct margin on sales from units sold in IH 2014

Investment	IH 2014				
	number of premises sold ¹⁾	revenues ²⁾	direct margin on sales ^{*2)}	direct cost allocated to land ^{**2)}	net operating income ^{*** 2)}
	[units]	[000'PLN]	[000'PLN]	[000'PLN]	[000'PLN]
Part I – projects implemented by the wholly owned subsidiaries of Polnord SA					
Warsaw					
Śródmieście Wilanów (build. A)	-1	-309	-89	-79	-168
Śródmieście Wilanów (build. C)	10	6 656	1 992	1 431	3 423
Śródmieście Wilanów (build. D)	103	36 252	8 393	9 702	18 095
Śródmieście Wilanów (build. F)	46	16 100	2 355	5 057	7 412
Neptun I	35	8 564	1 187	1 268	2 455
Neptun II	3	1 077	192	155	347
Tricity					
Ostoja Myśliwska I-II	9	3 923	1 416	413	1 829
2 Potoki I	7	1 364	318	134	452
2 Potoki II	45	8 782	1 816	991	2 807
2 Potoki III (build. 1-3)	3	385	62	59	121
2 Potoki III (build. 4-5)	2	535	99	70	169
Sopocka Rezydencja	11	6 632	0	5 825	5 825
Dwa Tarasy I	76	18 027	3 656	3 403	7 059
Olsztyn					
Osiedle Tęczowy Las (build. 4)	1	366	119	25	144
Osiedle Tęczowy Las (build. 5)	19	4 780	896	202	1 098
Osiedle Tęczowy Las (build. 6)	21	4 413	1 035	261	1 296
Szczecin					
Ku Słońcu I	13	3 733	358	871	1 229
Ku Słońcu II (build. 2)	9	2 303	287	384	671
Ku Słońcu II (build. 1)	42	8 778	855	1 594	2 449
Łódź					
City Park I-II	3	2 269	0	701	701

City Park IV	4	899	0	278	278
Total Part I	461	135 529	24 947	32 745	57 692
Part II – projects implemented by the companies jointly controlled by Polnord SA					
Warsaw					
Ostoja Wilanów II-VII	78	19 801	6 340	4 960	11 300
Wrocław					
Osiedle Innova I-VII	36	6 049	2 052	1 114	3 166
Osiedle Moderno	13	1 670	662	179	841
Tricity					
Aquasfera (Pacific)	37	3 909	914	628	1 542
Total Part II	164	31 429	9 968	6 881	16 849
Total Part I and II	625	166 958	34 915	39 626	74 541

¹⁾ Data not weighted with Polnord's share (refers to preliminary and reservation agreements)

²⁾ Data weighted with Polnord's share

* direct margin on sales calculated as revenue from sales reduced by costs of land, design and workmanship (excluding financial costs)

** as at the balance sheet date, the land is owned by the Group. The investment implementation will allow return on investment

*** net income calculated as revenue from sales contracts, reduced by direct costs and increased by the value of the land

The above figures represent estimates to the Management Board's best knowledge at the date of this Report.

Reduction of selling, general and administrative expenses

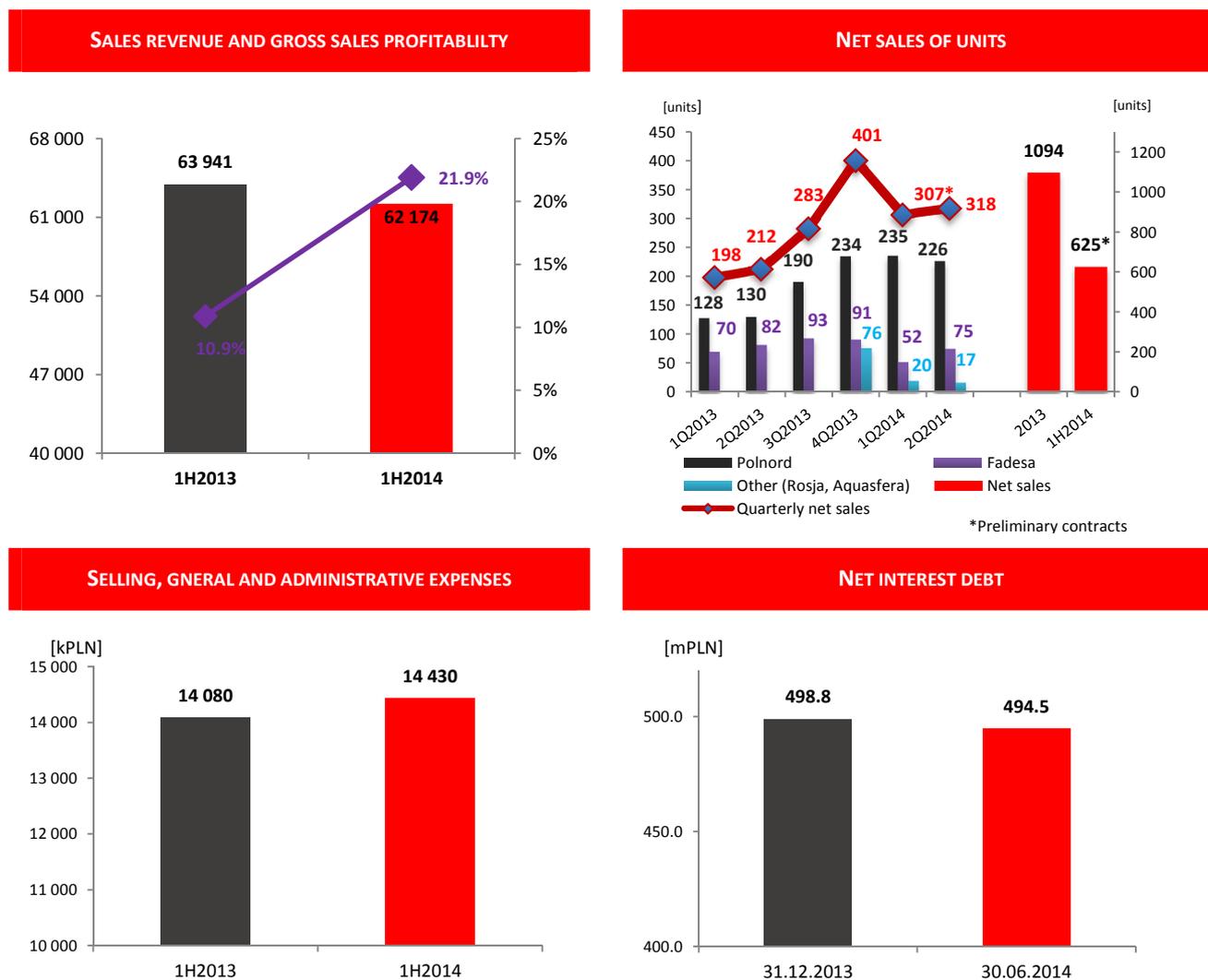
Independently of the intensification of sales activity, the actions aimed at reduction of costs related to the Group's sales and general management are being implemented. In IH 2014, the above costs came in at PLN 14,430 thousand and were similar to the corresponding period of the previous year.

Debt reduction

As of 30.06.2014, the Group's net debt (excluding Fadesa Polnord Polska and its subsidiaries) amounted to PLN 494.5 million and as of 31.12.2013 the net debt amounted to PLN 498.8 million.

The charts below show the dynamics of the selected financial and operational data.

Figure 3. Selected financial and operational data



5 DIVIDENT POLICY

As far as the dividend policy is concerned, the Management Board applies the principle of making payments in proportion to the amount of generated profit and to the financial position of the Company. The Company intends to pay regular dividends in the future. When making proposals concerning the possibility of dividend payout, the Management Board takes into account the need to ensure to the Company the liquidity and capital necessary for business development. As at the date of the Report, the Issuer's Management Board does not plan to recommend the payment of dividend for the years 2014-2015. This situation may change, if the Group obtains significant inflows in the form of compensation from the Capital City of Warsaw and MPWiK described in [Chapter IV, item 4 of the Director's Report](#).

In the last three financial years (2011-2013), the Company did not declare and did not pay dividends, which was related to the decision to keep in the Company funds for investments and business development and to secure liquidity. On 14.05.2014, the Company's Ordinary General Meeting fully allocated Polnord SA 2013 net profit to supplementary capital.

6 SELECTED FINANCIAL DATA

Due to the changes in accounting standards, including in particular IFRS 11 in terms of the proportionate consolidation, with effect from 01.01.2014, Fadesa Polnord Poland Sp. z o.o. and its subsidiaries ("Fadesa") are consolidated using the equity method, which means that there were changes in the presentation in the consolidated financial statements:

- in the consolidated balance sheet, Fadesa was included in the item – Investments in associates measured with the equity method, and
- in the consolidated profit and loss account, Fadesa was included in the item – Share in profit of associate measured with the equity method.

Consequently, as from 2014, the proportional recognition of assets and liabilities of Fadesa in the consolidated balance sheet and of individual revenues and costs of Fadesa in the consolidated profit and loss account was discontinued. Figures for the comparable periods were restated accordingly.

In addition, following the recommendations of the new Auditor, the Management Board has carried out a comprehensive review of the reports and identified corrections that have been presented in Part B of the Report - Consolidated Report in Chapter VI (6).

Table 2. Selected financial data-consolidated financial statement

	PLN' 000		EUR' 000	
	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013
PROFIT AND LOSS ACCOUNT				
Sales revenue	62 174	63 941	14 880	15 173
Gross profit (loss) on sales	13 624	6 957	3 261	1 651
Gross operating profit (loss)	10 846	13 624	2 596	3 233
Gross profit (loss)	4 442	(20 638)	1 063	(4 897)
Net profit (loss) on continued operations	5 547	(20 496)	1 328	(4 864)
Net profit / (loss) for the financial year	3 992	(21 953)	955	(5 210)
BALANCE SHEET	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Equity	1 085 579	1 081 933	260 900	260 883
Long-term liabilities	467 722	429 399	112 409	103 540
Short-term liabilities	274 492	264 082	65 969	63 677
Fixed assets	1 143 549	1 157 541	274 832	279 114
Current assets	674 243	607 872	162 043	146 574
Assets classified as held for sale	10 001	10 001	2 403	2 411
Assets in total	1 827 793	1 775 414	439 278	428 100

Table 3. Selected financial data- individual financial statement

	PLN' 000		EUR' 000	
	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013
PROFIT AND LOSS ACCOUNT				
Sales revenue	15 950	11 292	3 817	2 680
Gross profit (loss) on sales	13 687	11 292	3 276	2 680
Gross operating profit (loss)	(14 666)	(7 213)	(3 510)	(1 712)
Gross profit (loss)	(29 414)	(9 805)	(7 040)	(2 327)
Net profit (loss) on continued operations	(30 499)	(7 598)	(7 299)	(1 803)
Net profit / (loss) for the financial year	(32 054)	(9 055)	(7 671)	(2 149)
BALANCE SHEET				
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Equity	1 080 933	1 114 157	259 783	268 653
Long-term liabilities	355 212	296 125	85 369	71 403
Short-term liabilities	142 176	172 498	34 170	41 594
Fixed assets	1 368 386	1 394 379	328 868	336 222
Current assets	199 934	178 400	48 051	43 017
Assets classified as held for sale	10 001	10 001	2 403	2 411
Assets in total	1 578 321	1 582 780	379 322	381 650

7 COMPOSITION OF THE POLNORD CAPITAL GROUP SA

Composition of the Polnord Capital Group SA includes Polnord SA as the parent company and companies subject to consolidation.

The Group's financial statements were prepared as at 30.06.2014 and cover the period from 01.01.2014 to 30.06.2014, and they contain relevant comparative data as at 31.12.2013 and for the period from 01.01.2013 to 30.06.2013.

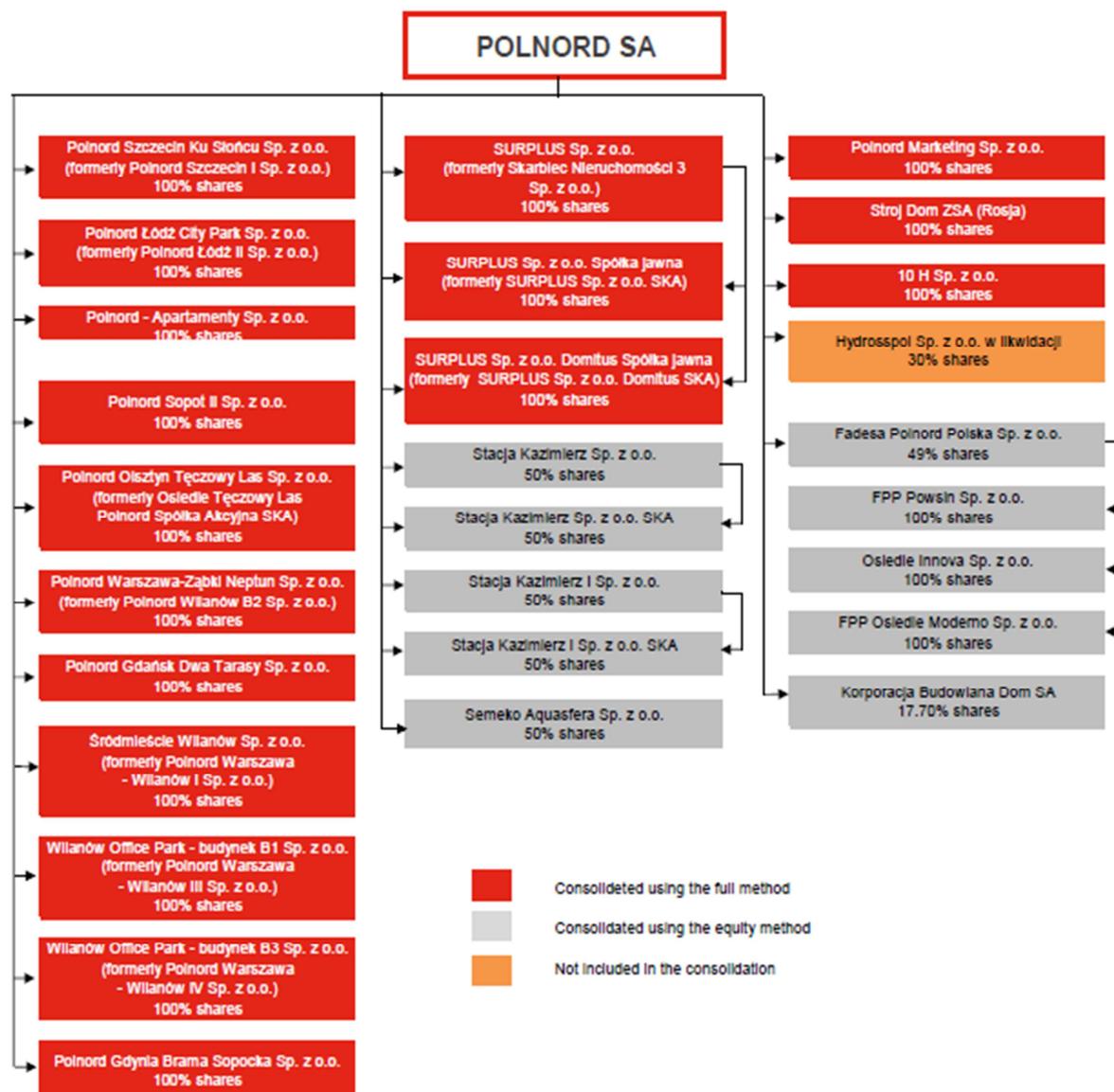
The duration of the Parent Company and companies comprising the Group as at 30.06.2014 is indefinite.

Table 4. Basic Company data

Full name (company name)	POLNORD Spółka Akcyjna
Registered office	81-310 Gdynia, Śląska 35/37
Number in the National Court Registered (KRS)	0000041271
Tax identification Number (NIP)	583-000-67-67
Statistical Identification Number (REGON)	000742457
Registered share capital	65.266.054 PLN (paid in fully)
PKD (Polish Classification of Business Activities)	6810 Z – buying and selling of own real estate
Website	www.palnord.pl

The diagram presented below illustrates the structure of organizational and capital links of Polnord as at 30.06.2014.

Structure of Polnord SA Capital Group



A detailed description of the rules for preparing the Consolidated Financial Statements is presented in [chapter VI item 5 of the Consolidated Financial Statements, in section “Additional Notes and Explanations”](#).

Due to the changes in accounting standards, including in particular IFRS 11 in terms of the proportionate consolidation, with effect from 01.01.2014, Fadesa Polnord Poland Sp. z o. o. and its subsidiaries (“Fadesa”) are consolidated using the equity method, which means that there were changes in the presentation in the consolidated financial statements:

- in the consolidated balance sheet, Fadesa was included in the item – Investments in associates measured with the equity method, and
- in the consolidated profit and loss account, Fadesa was included in the item – Share in profit of associate measured with the equity method.

Identification of the effects of changes in the structure of the Capital Group, including those resulting from mergers of businesses, acquisitions or disposals of the Company's Capital Group entities, long-term investments, division, restructuring and discontinuation of activity

In the first half of 2014 following changes occurred the structure of organizational and capital links of Polnord:

Entity name	Description of the event
Surplus Sp. z o.o. SKA	<p><i>Transformation of the company</i></p> <p>On 16 January 2014 the Extraordinary Meeting of Shareholders of Surplus Sp. z o. o. SKA adopted a resolution on transforming Surplus Sp. z o.o. SKA into a general partnership (spółka jawna). The transformation came into effect on 29 January 2014, i.e. upon entering into register the general partnership (spółka jawna) created as a result of the transformation of Surplus Sp. z o. o. SKA by the District Court for Gdańsk-Północ in Gdańsk, 8th Commercial Division of the National Court Register.</p>
Polnord Łódź City Park Sp. z o.o.	<p><i>Registration of the share capital increase</i></p> <p>On 20 January 2014 the increase of share capital of Polnord Łódź City Park Sp. z o. o. from the amount of PLN 50,000.00 to the amount of PLN 1,050 thousand, i.e. by PLN 1 million by means of creating 10 thousand new shares of the nominal value of PLN 100.00 each, in accordance with the resolution of the Extraordinary Meeting of Shareholders of Polnord Łódź City Park Sp z o. o. of 29 November 2013 on increasing the company's share capital, was entered into the register by the District Court for Gdańsk-Północ in Gdańsk, 8th Commercial Division of the National Court Register.</p>
Fadesa Polnord Polska Sp. z o.o.	<p><i>Registration of the share capital increase</i></p> <p>On 28 March 2014 the increase of share capital of Fadesa Polnord Polska Sp. z o. o. from the amount of PLN 16,600 thousand to the amount of PLN 25 million, i.e. by PLN 8,400 thousand by means of creating 168 thousand new shares of the nominal value of PLN 50,00 each and of the nominal value of PLN 8,400 thousand in total, in accordance with the resolution of the Extraordinary Meeting of Shareholders of Fadesa Polnord Polska Sp. z o. o. of 20 March 2014, was entered into the register by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register.</p> <p>The newly created shares in the Company's increased share capital have been dedicated to the existing shareholders in relation to their shares and have not required to be taken up.</p>
Surplus Sp. z o.o. Domitus SKA	<p><i>Transformation of the company</i></p> <p>On 11 April 2014 the Extraordinary Meeting of Shareholders of Surplus Sp. z o. o. Domitus SKA adopted a resolution on transforming Surplus Sp. z o. o. Domitus SKA into a general partnership (spółka jawna). The transformation came into effect on 13 May 2014, i.e. upon entering into register the general partnership (spółka jawna) created as a result of the transformation of Surplus Sp. z o. o. Domitus SKA by the District Court for Gdańsk-Północ in Gdańsk, 8th Commercial Division of the National Court Register.</p>

As at 30.06.2014, the percentage of voting rights held by the Group in the subsidiaries, jointly controlled entities and in associates corresponded to the percentage held in the share capital of those entities.

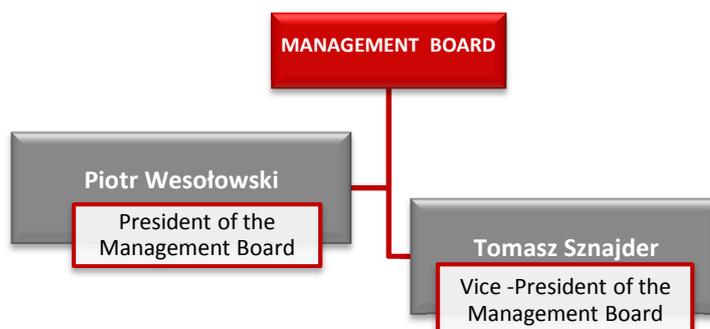
The following changes took place after the balance sheet date:

Entity name	Description of the event
Polnord Sopot II Sp. z o.o.	<p><i>Registration of the share capital increase</i></p> <p>On 3 July 2014 the Extraordinary Meeting of Shareholders of Polnord Sopot II Sp. z o. o. adopted a resolution on increasing the Company's share capital from the amount of PLN 25,173,500.00 to the amount of PLN 25,273,500.00, i.e. by PLN 100 thousand by means of creating 1,000 new shares of the nominal value of PLN 100.00 each, which were taken up entirely by one Shareholder, i.e. Polnord SA. On 21 August 2014 the increase of the share capital of Polnord Sopot II Sp. z o. o. was entered into register by the District Court for Gdańsk-Północ in Gdańsk, 8th Commercial Division of the National Court Register.</p>
Stacja Kazimierz Sp. z o.o. S.K.A.	<p><i>Registration of the share capital increase</i></p> <p>On 10 June 2014 the Extraordinary Meeting of Shareholders of Stacja Kazimierz Sp. z o. o. S.K.A. adopted a resolution on increasing the Company's share capital from the amount of PLN 50 thousand to the amount of PLN 10,133 thousand, i.e. by PLN 10,083 thousand by means of issuing 20,166 new C series shares of the nominal value of PLN 500.00. The new C series shares have been taken up by the existing shareholders, 50% each. On 10 July 2014 the increase of the share capital of Stacja Kazimierz Sp. z o. o. S.K.A. was entered into register by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register.</p>
SPV 1 Sp. z o. o. in organisation – equity top - up	<p><i>Registration of the new company</i></p> <p>On 4 August 2014, SPV1 Sp. z o. o. was set up, with registered office in Gdynia and share capital of PLN 5,000 (100 shares, PLN 50.00 each). All shares were taken up by Polnord SA.</p>

8 GOVERNING BODIES OF THE COMPANY

Management Board

As at 30.06.2014, the Company's Management Board was composed of:



According to the Company's Statute, the Company's Management Board may be composed of 2 to 6 members, appointed for a joint three-year term of office. On 30.06.2011, the Company's Supervisory Board appointed the Company's Management Board for another joint three-year term of office which will end on the day of the General Meeting approving the financial statements of the Company for 2013, i.e. in 14.05.2014. During the meeting held on 14.05.2014, the Company's Supervisory Board appointed the current members of the Management Board, i.e. Mr. Piotr Wesołowski and Mr. Tomasz Sznajder for another three-year term of office.

Mr. Piotr Wesołowski was appointed as President of the Management Board and Mr. Tomasz Sznajder – as Vice-President.

There were no changes in the Company's Management Board in the period from the balance sheet date and the date of drawing up this Report.

Supervisory Board

As at 30.06.2014, the Company's Supervisory Board was composed of:



**a member of the Supervisory Board who meets the independence criteria indicated in Annex II to the Recommendation of the European Commission of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board and referred to in Article 13(5) of the Company's Articles of Association*

The profile of the Members of the Supervisory Board and the Management Board were presented in the [Consolidated Annual Report for 2013, in Chapter I\(7\)](#) of the Management Board's Report on the activity of the Polnord SA Capital Group.

In the first half of 2014, there were the following changes:

Date	Description of the event	Name and surname
	<i>Dismissal of all the Members of the Supervisory Board</i>	
29.01.2014	The Extraordinary Meeting of Shareholders made changes in the composition of the Supervisory Board of the Company. To enable the appointment of the Supervisory Board of the Company following the mode and principles set forth in § 13(2) of the Company's Articles of Association, the Extraordinary General Meeting of Shareholders of the Company changed the composition of the Supervisory Board:	Piotr Chudzik, Maciej Grelowski, Marcin Dukaczewski, Artur Jędrzejewski, Piotr Nadolski, Andrzej Podgórski, Zygmunt Roman
	<i>Appointing of 3 Members of the Supervisory Board</i>	
29.01.2014	Prokom Investments SA with its registered office in Gdynia, acting pursuant to § 13(2)(a) of the Company's Articles of Association, appointed 3 members of the Supervisory Board, i.e.:	Andrzej Podgórski – President of the Supervisory Board, Marcin Dukaczewski, Maciej Grelowski
	<i>Appointing of 4 Members of the Supervisory Board</i>	
29.01.2014	The remaining shareholders present at the Extraordinary Shareholder's Meeting, except PROKOM Investments Spółka Akcyjna with its registered office in Gdynia and its affiliates and entities acting in concert with that company, representing 25.89% of the total number of votes in the Company, acting pursuant to Article 13(2)(b) of the Company's Articles of Association – from 4 candidates proposed by shareholders representing at least 1% of the Company's share capital:	Piotr Nadolski – Vice-President of the Supervisory Board, Piotr Chudzik who meets the independence criteria indicated in Annex II to the Recommendation of the European Commission of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board and referred to in § 13(5) of the Company's Articles of Association, Artur Jędrzejewski and Zygmunt Roman.

After the balance sheet date, the composition of the Supervisory Board did not change.

Information on shares or rights for shares (options) of Polnord SA held by Members of the Management and Supervisory Bodies of Polnord SA

Table 5. Company shares held by members of the Management Board and Supervisory Board at 30.06.2014 and 29.08.2014

Name	Function	Number of shares
Piotr Wesołowski	President of the Management Board	38,227
Tomasz Sznajder	Vice- President of the Management Board	26,877
Marcin Dukaczewski	Member of the Supervisory Board	7,115

In the first half 2014 and in the period until the date of publication of this Report no changes in the holdings of Company's shares of the abovementioned members of the Management Board and Supervisory Board occurred.

9 SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING OF THE COMPANY

According to the Company's knowledge, at 30.06.2014 and 29.08.2014, the following shareholders held shares vested with at least 5% of votes at the General Meeting:

Table 6. Shareholding of Polnord SA at 30.06.2014 and 29.08.2014

Shareholder	Number of shares/votes	Par value of shares [PLN]	% of share capital/votes
Prokom Investments SA in Gdynia	6,879,803	13,759,606	21.08%
Osiedle Wilanowskie Sp. z o.o. in Gdynia (subsidiary of Prokom Investments SA)	1,508,492	3,016,984	4.62%
Pioneer Pekao Investment Management SA in Warsaw (all customers of PPIM)*	3,119,628	6,239,256	9.56%
SEB Asset Management SA	1,752,593	3,505,186	5.37%
Other Shareholders in total	19,372,511	38,745,022	59.37%
Total	32,633,027	65,266,054	100.00%

* of which Pioneer Fundusz Inwestycyjny Otwarty holds 2,858,188 shares in the share capital of the Company, corresponding to 2,858,188 votes, representing 8.76% of the total number of votes and in the capital

In the first half of 2014, there were the following changes:

Date of notification to the Company	Name of entity notifier	Description of the event
		<i>The increase in engagement up to the level of 5.37% of the total number of votes at the General Meeting.</i>
23.01.2014	SEB Asset Management SA	The above change is due to the acquisition of the Company's shares on 21 January 2014. Upon the change in the share, SEB Asset Management S.A. holds 1,752,593 shares in the share capital of the Company, corresponding to 1,752,593 votes, representing 5.37% of the share capital of the Company and 5.37% of total votes at the general meeting.
		<i>Decreasing the share of the clients and funds managed by Templeton Asset Management Ltd. in the total amount of shares in the Company by approx. 2% and on the decrease of the share held by Templeton Emerging Markets Investment Trust, with its registered office in the United Kingdom, and exceeding the 10% share in the overall number of votes in Polnord.</i>
28.01.2014	Templeton Asset Management Ltd. with its registered office in Singapore – an indirect subsidiary of Franklin Resources Inc	The above change was caused by the sale of 400 thousand shares of Polnord by Templeton Emerging Markets Investment Trust which took place on 21 January 2014. Upon concluding the transaction of the Company shares sale, the customers and funds managed by Templeton Asset Management Ltd. hold a total of 2,893,477 of the Company's shares, out of which 2,893,477 shares are held by Templeton Emerging Markets Investment Trust, which represent 8.87% of the share capital and are vested with 2,893,477 votes, accounting for 8.87% in the overall number of votes in the Company.

24.02.2014	Templeton Asset Management Ltd. with its registered office in Singapore – an indirect subsidiary of Franklin Resources Inc.	<p><i>Change in the share of the clients and funds managed by Templeton Asset Management Ltd. in the total amount of shares in the Company by and exceeding the 5% share in the overall number of votes in Polnord by Templeton Emerging Markets Investment Trust, with its registered office in the United Kingdom.</i></p> <p>The above change was caused by the sale of 139,911 shares of Polnord by Templeton Emerging Markets Investment Trust which took place on 13 February 2014. Upon concluding the transaction of the Company shares sale, the customers and funds managed by Templeton Asset Management Ltd. hold a total of 1,492,920 of the Company's shares, out of which 1,492,920 shares are held by Templeton Emerging Markets Investment Trust, which represent 4.57% of the share capital and are vested with 1,492,920 votes, accounting for 4.57% in the overall number of votes in the Company.</p>
11.04.2014	Prokom Investments SA	<p><i>The increase in direct engagement up to the level of 21.08% and of direct engagement up to the level of 25.70% of the total number of votes at the General Meeting.</i></p> <p>The above change is due to the acquisition, on the basis of two civil contracts, concluded on 11.04.2014 with third parties, of 428,387 shares of the Company.</p> <p>As a result of the acquisition of shares of the Company, Prokom has:</p> <ul style="list-style-type: none"> • directly 6,879,803 shares in the share capital of the Company, corresponding to 6,879,803 votes, representing 21.08% of the share capital of the Company and 21.08% of total votes, and • indirectly, together with Osiedle Wilanowskie, a total of 8,388,295 shares of the Company, corresponding to 8,388,295 votes, representing 25.70% of the share capital of the Company and 25.70% of total votes.

On 4 June 2014 it received from Prokom Investments SA with its registered office in Gdynia ("Prokom") a representation dated 3 June 2014 informing that Prokom and its subsidiary, i.e. Osiedle Wilanowskie Sp. z o.o. with its registered office in Gdynia, intend to dispose of their entire blocks of shares in Polnord, representing together 25.70% of the share capital of the Company. The aforesaid decision was taken after considering:

- analyses of possible strategic options for Prokom, in connection with the block of shares held in the Company, and
- the interest in acquiring the block of shares in the Company held directly or indirectly by Prokom, declared by sector and financial investors.

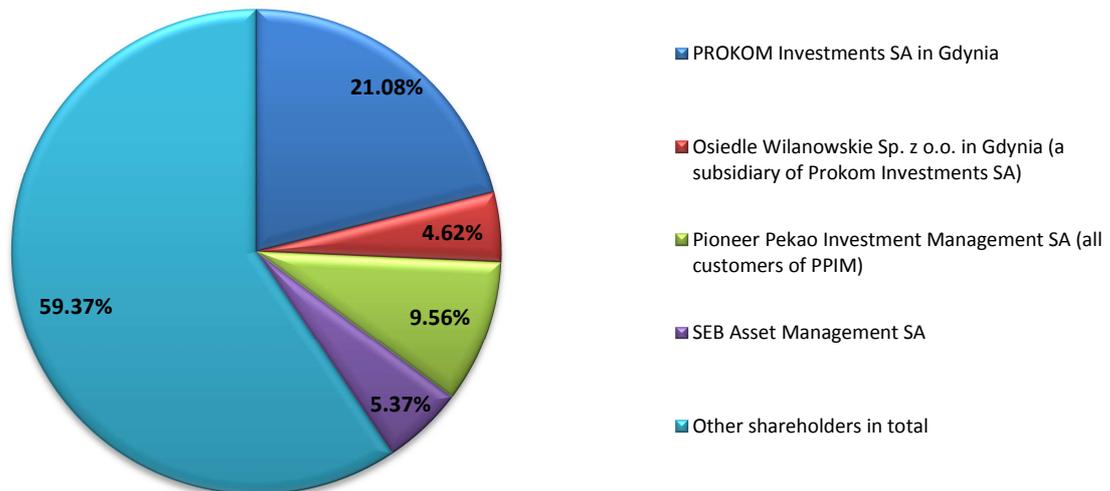
Prokom's financial consultant in the above-mentioned process is IPOPEMA Securities SA.

The process of acquiring a new investor for the Company, managed by IPOPEMA Securities SA, is focused primarily on sector investors and on financial investors specialising in investing in the real estate market, who have confirmed to Prokom their interest in a potential transaction involving acquisition of the entire block of Polnord's shares held directly and indirectly by Prokom.

The final decision on the sale of Polnord's shares will depend on securing advantageous economic conditions of the transaction.

After the balance sheet date, there were no changes in the Company's shareholding.

Shareholding of Polnord SA at 29.08.2014



II ACTIVITIES OF THE CAPITAL GROUP

1 MAIN PRODUCTS, GOODS, SERVICES AND MAIN SALES MARKETS

In the reporting period the Group achieved revenue from sales of PLN 62,174 thousand. Sales of residential and commercial premises at the level of 82.3% constitutes the main source of the Group's revenue.

The split of revenues of the Group indicated in the Consolidated P&L Account by sources is presented below:

Table 7. Polnord Capital Group revenue by source

Source of revenue	IH 2014		IH 2013	
	Sales [kPLN]	Share [%]	Sales [kPLN]	Share [%]
Sale of apartments and commercial space*	51,160	82.3	57,085	89.3
Lease	7,924	12.8	5,612	8.8
Sales of land plots	2,261	3.6	0	0
Other	829	1.3	1,244	1.9
Total	62,174	100.0	63,941	100.0

*in line with the Accounting Policy, sales income is recognised once a unit is released to the client, so the amount of revenues from the sale of apartments is not equivalent to the amount of sale agreements made in a given reporting period.

Poland was the core area of business of the Polnord Group in the first half of 2014. The Group operated in the domestic market mainly in Warsaw, Tricity, Szczecin, Łódź, Olsztyn and Wrocław.

2 OPERATIONAL ACTIVITIES OF THE GROUP

2.1 INFORMATION OF THE NUMBER OF UNITS SOLD

The table below presents information on the number of premises sold by the Polnord Group within particular projects as well as the Group's offer as at 30.06.2014. In the first half 2014, the companies of the Polnord Capital Group sold 625 premises (relates to the preliminary and reservation agreements made).

Table 8. Sales and offers as at 30.06.2014

Project	General information				Premises sold (net-including cancellations)		Offer as at 30.06.2014
	Usable area (sq.m)	Number of premises	Commission to use data	Company implementing the project	until 31.12.2013	including IH 2014	
Part I - projects implemented by the wholly owned subsidiaries of Polnord SA							
Warsaw							
Commissioned projects							
Śródmieście Wilanów (build. A)	9 532	170	IVQ 2013	Śródmieście Wilanów	169	-1	2
Projects under development							
Śródmieście Wilanów (build. C)	10 564	161	IIIQ 2014*	Śródmieście Wilanów	139	10	12
Śródmieście Wilanów (build. D)	9 533	189	IIIQ 2015*	Śródmieście Wilanów	75	103	11
Neptun I	6 204	109	II/IIIQ 2015*	Polnord Żąbki Neptun	16	35	58
Projects started in 2014							
Śródmieście Wilanów (build. F)	6 691	125	IIQ 2016*	Śródmieście Wilanów	-	46	79
Neptun II	5 623	105	IVQ 2015*	Polnord Żąbki Neptun	-	3	102
Tricity							
Commissioned projects							
Ostoja Myśliwska I-II	13 715	242	2011-2012	Polnord Apartamenty	225	9	8
2 Potoki I	7 475	162	IVQ 2012	Polnord Apartamenty	145	7	10
2 Potoki II	7 142	162	IVQ 2013	Polnord Apartamenty	70	45	47
2 Potoki III (build. 1-3)	4 468	96	IVQ 2012	Polnord Apartamenty	17	3	76
2 Potoki III (build. 4-5)	2 771	60	IIQ 2013	Polnord Apartamenty	-	2	58
Sopocka Rezydencja	9 672	162	IQ 2012	Polnord Sopot II	146	11	5
Projects under development							
Dwa Tarasy I	7 337	162	IVQ 2014*	Polnord Gdańsk Dwa Tarasy	28	76	58
Projects started in 2014							
Dwa Tarasy II	8 386	172	IVQ 2015*	Polnord Gdańsk Dwa Tarasy	-	-	172
Brama Sopocka I	3 647	54	IIQ 2015*	Polnord Gdynia Brama Sopocka	-	-	54
Olsztyn							
Commissioned projects							
Osiedle Tęczowy Las (build. 4)	4 590	91	IIIQ 2012	Polnord OTL	88	1	2
Osiedle Tęczowy Las (build. 5)	5 839	103	IVQ 2013	Polnord OTL	75	19	9
Projects under development							
Osiedle Tęczowy Las (build. 6)	6 965	149	IIIQ 2015*	Polnord OTL	3	21	125
Szczecin							
Commissioned projects							
Ku Słońcu I	12 203	222	IVQ 2011	Polnord Szczecin Ku Słońcu	191	13	18
Ku Słońcu II (build. 2)	7 657	158	IVQ 2012	Polnord Szczecin Ku Słońcu	144	9	5
Projects under development							
Ku Słońcu II (build. 1)	7 707	158	IVQ 2014*	Polnord Szczecin Ku Słońcu	25	42	91

Łódź

Commissioned projects							
City Park I-III	14 833	235	2009-2012	Polnord Łódź City Park	228	3	4

Projects started in 2014							
City Park IV	10 965	209	IQ 2016*	Polnord Łódź City Park	-	4	205

Total - Commissioned projects	99 897	1 863			1 498	121	244
Total - Projects under development	83 622	1 593			286	340	967
<i>including projects started in 2014</i>	<i>35 312</i>	<i>665</i>			<i>-</i>	<i>53</i>	<i>612</i>
Total Part I	183 519	3 456			1 784	461	1 211

Part II - projects implemented by the companies jointly controlled by Polnord SA

Warsaw

Commissioned projects							
Ostoja Wilanów II-VII	117 918	1 470	2009-2013	Fadesa Polnord	1 383	49	38

Projects started in 2014							
Ostoja Wilanów VIA (B4) (formerly V)	9 272	137	IVQ 2015*	Fadesa Polnord	-	29	108
Stacja Kazimierz Phase I	9 416	184	IQ 2016*	Stacja Kazimierz	-	-	184

Tricity

Projects under development

Aquasfera (Pacific)	11 114	215	IIQ 2015*	Semeko Aquasfera	76	37	102
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Wrocław

Commissioned projects							
Osiedla Innova I-V	21 152	421	2012-2013	Osiedle Innova	413	7	1

Projects under development

Osiedle Innova VI	3 215	56	IVQ 2014*	Osiedle Innova	23	10	23
Osiedle Innova VII	3 282	56	IVQ 2014*	Osiedle Innova	12	19	25

Projects started in 2014							
Osiedle Moderno	7 243	158	IVQ 2015*	Osiedle Moderno	-	13	145

Total - Commissioned projects	139 070	1 891			1 796	56	39
Total - Projects under development	43 542	806			111	108	587
<i>including projects started in 2014</i>	<i>25 931</i>	<i>479</i>			<i>-</i>	<i>42</i>	<i>437</i>
Total Part II	182 612	2 697			1 907	164	626
Total - Commissioned projects	238 966	3 754			3 294	177	283
Total - Projects under development	127 164	2 399			397	448	1 554
<i>including projects started in 2014</i>	<i>61 243</i>	<i>1 144</i>			<i>-</i>	<i>95</i>	<i>1 049</i>
Total Part I and II	366 131	6 153			3 691	625	1 837

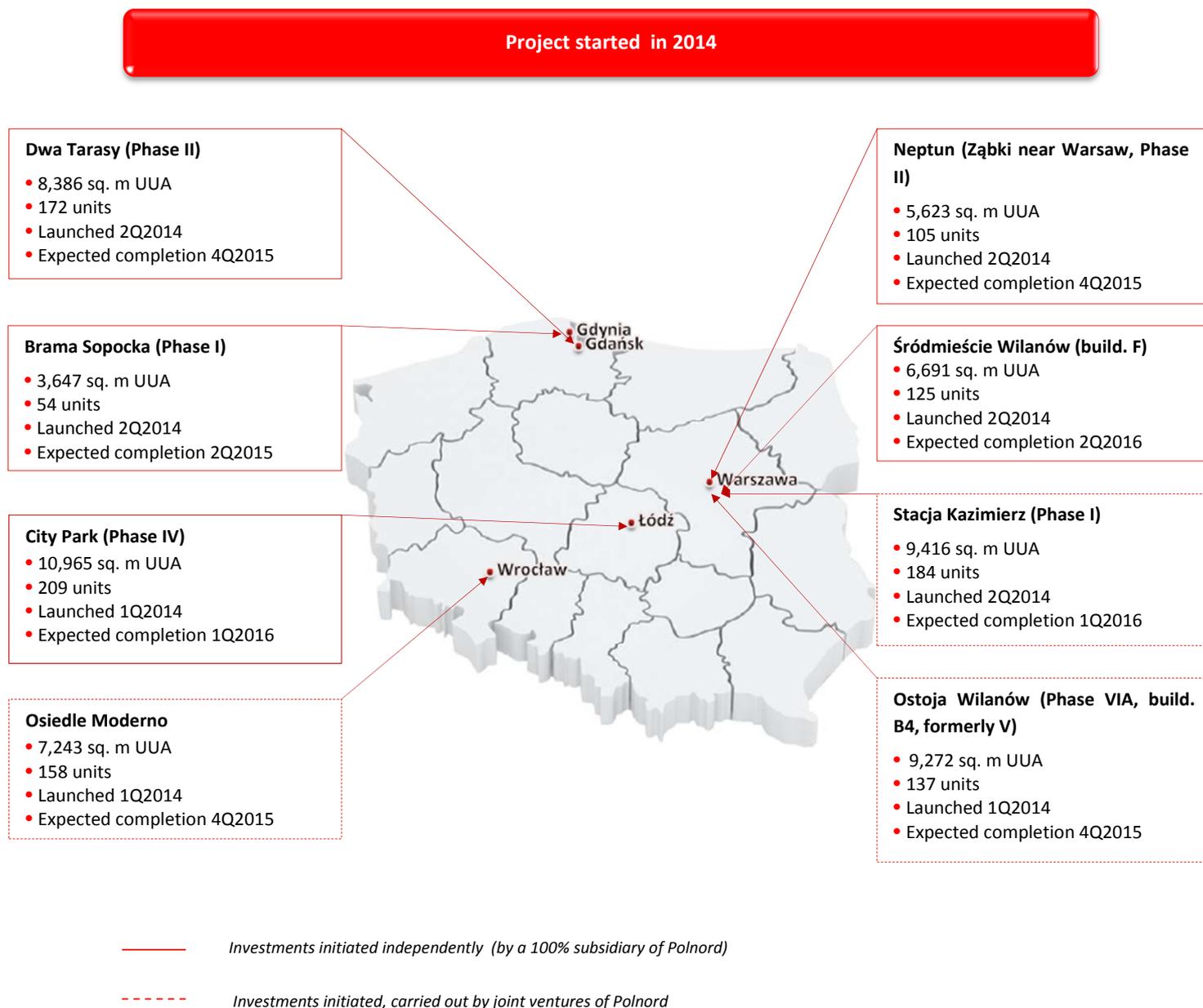
* Planned date of commissioning for use

Data not weighted with Polnord's share in the project

2.2 PROJECT STARTED IN 2014

In the first half 2014, the Group launched eight projects, which mainly consisted of the subsequent stages of existing projects that will provide 1,144 apartments in Warsaw, Wrocław, Tricity and Łódź, with total space of 61,243 m² (marked green in Table 8).

Multi-stage development projects started in IH 2014 are described below:

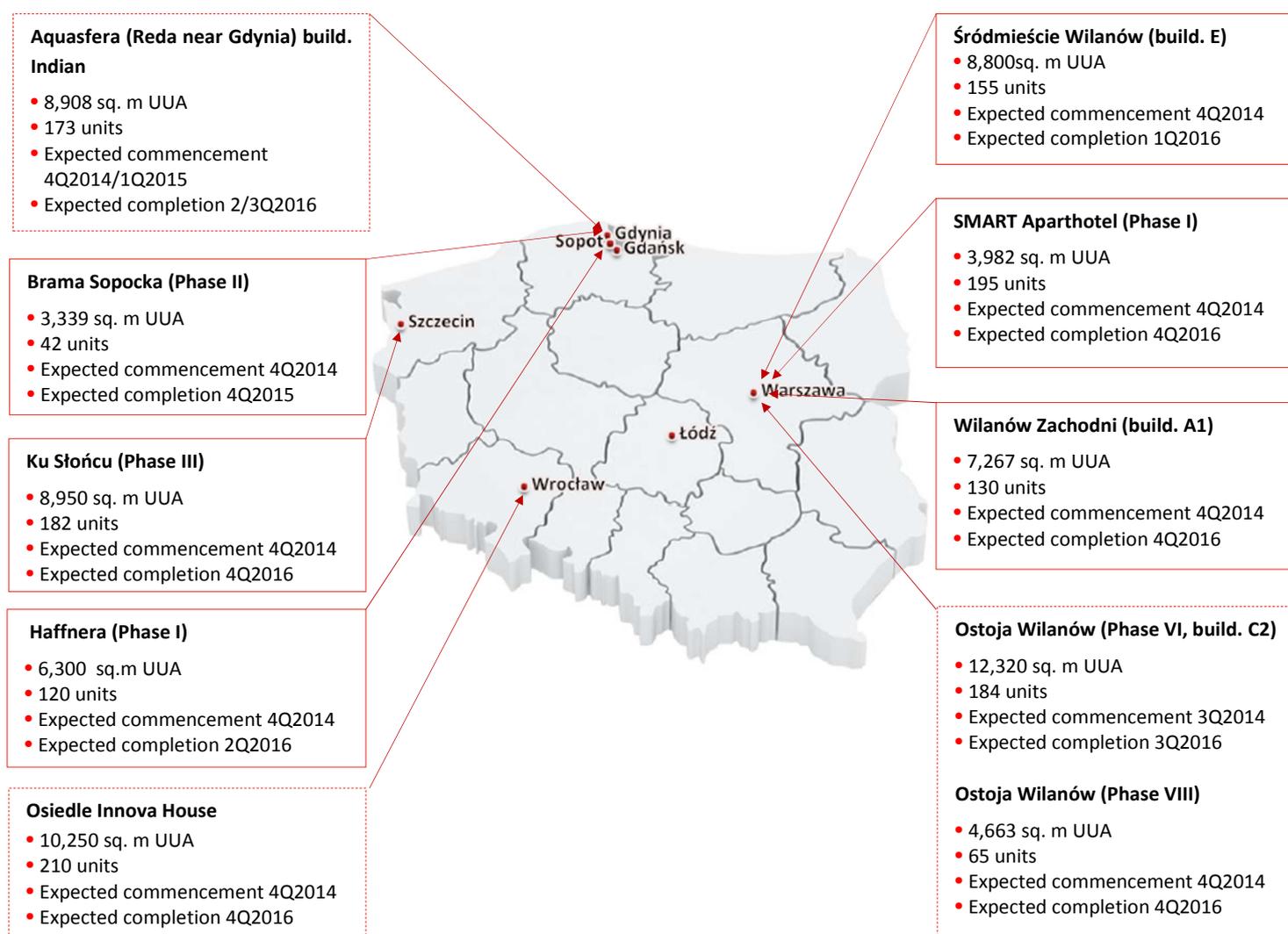


2.3 PROJECT TO BE LAUNCHED

In 2014 the Group plans to launch 10 investments of which 7 constitute subsequent phases of projects already being implemented. The other 3 are the investments being initiated, by Polnord itself or with partners, in new attractive locations in Warsaw, Tricity, Wrocław and Szczecin. Projects to be launched create a potential to expand the offer by about 1,456 premises with their total usable area of approx. 74,779 thousand sq. m.

Multi-stage development Project, which are scheduled to be launched by the end of 2014, are described below:

Project to be launched



— Investments planned to be launched independently (by the wholly owned subsidiaries of Polnord)

- - - Investments planned to be launched, implemented by companies jointly controlled by Polnord

2.4 LAND PURCHASE

In the aforementioned period Polnord purchased land with a total value of 12.606 thousand PLN, which consists of:

- a plot of 1.960 m² located in the Wola district in Warsaw at ul. Pereca for the amount of 8.820 thousand PLN. On 19.08.2014 the Company entered into a conditional agreement for the sale of the land.
- a plot of 3.510 m² located in Kowale, district Kolbudy, on land designated for the construction of multi-family residential development to the amount of 1,766 thousand PLN. On the said property, including the already possessed land in this location, it is possible to build more than 12.000 m² of usable space, which constitutes nearly 300 apartments.
- two plots with a total area of 22.600 m² located in Gniewino to the amount of 1,800 thousand PLN. One of the plots is located in an area constituting a residential area, which gives the possibility of building approx. 5.000 m² of usable space. The second plot is located on an area of land constituting commercial functions together with administration, technical and social facilities.

2.5 STATEMENT OF INVENTORIES AND INVESTMENT PROPERTIES

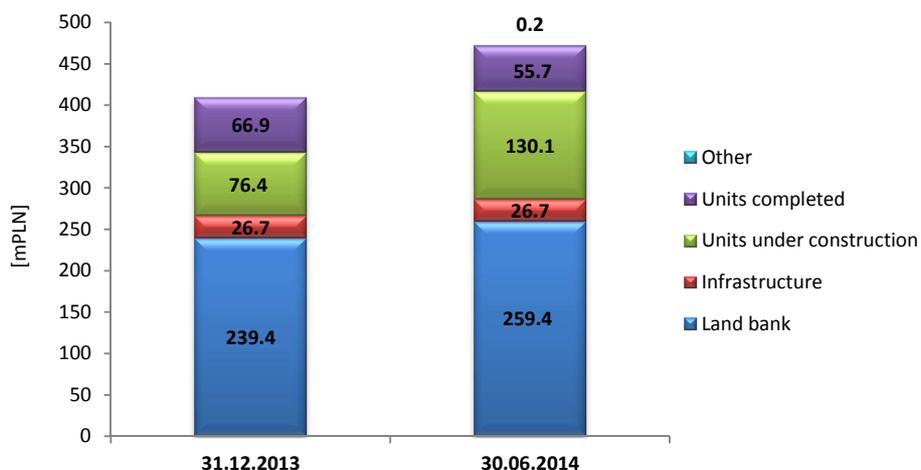
The graphs below present the current statement of inventories and investment properties along with the breakdown of land bank classified as both inventories and investment property.

Due to the changes in accounting standards, resulting in a change in the method of consolidation with effect from 01.01.2014, the data as of 31.12.2013 were restated for comparability with the data of the first half 2014, which means that the transformed data as of 31.12.2013 do not take into account the proportional recognition of assets and liabilities of jointly controlled entities in the Consolidated statement of financial position (balance sheet).

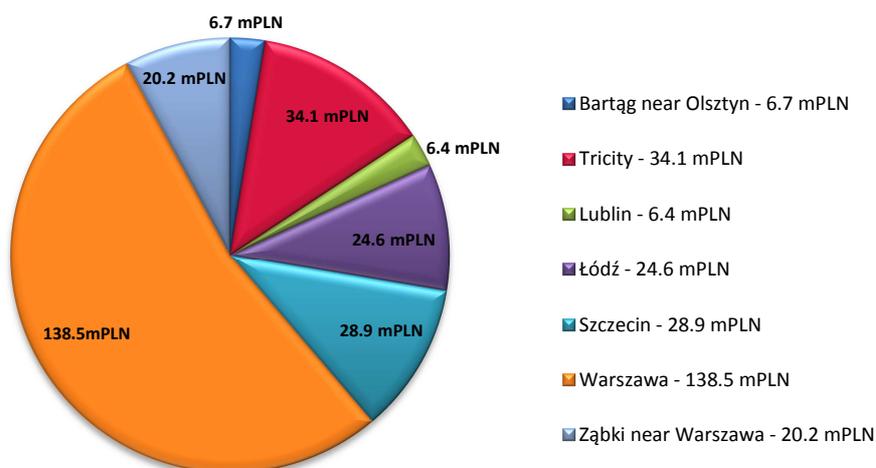
Inventory

As at 30 June 2014, the value of inventories amounted to PLN 472.2 million. In comparison to 31 December 2013, their value rose nearly by PLN 62.6 million. A change in the value of inventories is mainly due to the reclassification of both the land and deliveries of premises. In IH 2014, a special purpose vehicle acquired from Polnord SA land plot No 2/101, situated in Warsaw, on which the Smart Aparthotel project will be implemented. In view of the planned commencement of the project in the near future, the plot was reclassified from investment property to inventories. This event was reflected in the Financial Statements by the amount of PLN 53 million. The largest item in the land holding, amounting to PLN 259.4 million, being part of inventories, comprises the land situated in Warsaw – it accounts for more than 53% of the total value of the land classified as inventories.

Structure of inventories



Inventories – land bank as at 30.06.2014



The core item in the land holding comprises the land situated in Warsaw of the value of approx. PLN 60 million, designed for the Śródmieście Wilanów investment project, both for phases being currently in progress and the planned ones. The land inventories in the area of Wilanów will allow to build, not counting building F commenced in IH 2014, which is implemented as part of the Śródmieście Wilanów project, additional usable area of approx. 8,800 m² (building E).

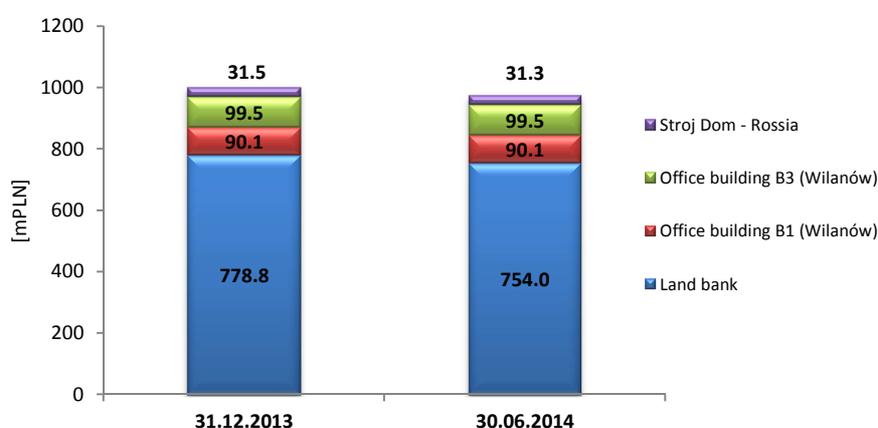
Some inventories held by the Group are attributable to the collateral securing repayment of loans received by the Group companies for the financing of development projects and bonds. The carrying amount of inventories encumbered with mortgage as at 30 June 2014 was PLN 249.9 million, and as at 31 December 2013 (restated for comparability) it was PLN 214.9 million.

Investment property

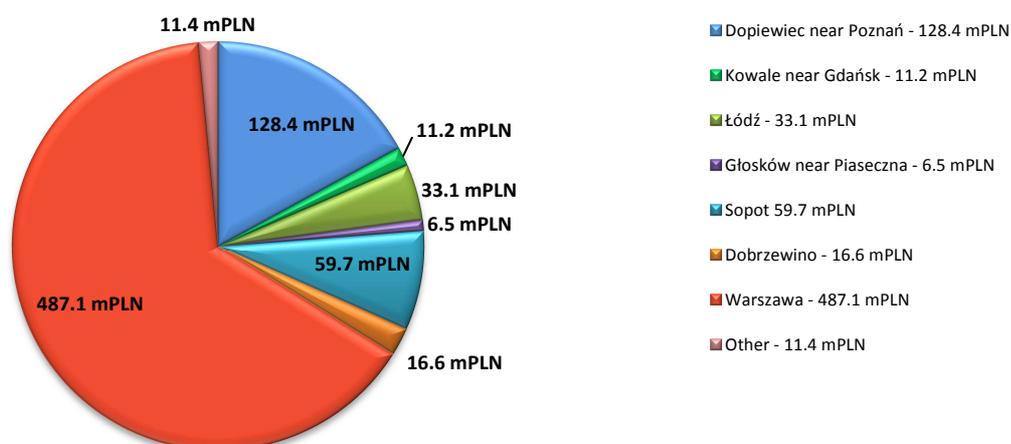
As at 30 June 2014, the value of investment property was PLN 974.9 million and was lower by PLN 25 million than at the end of 2013. This decrease was mainly caused by the reclassification of sold plot No 2/101 of the value of PLN 53 million, referred to in the part describing inventories, and on the other hand in IH 2014 some investment property for PLN 17.1 million was acquired, and one of the plots situated in Warsaw was revalued by PLN 11.1 million.

Some investment properties of the Group are attributable to the collateral securing repayment of loans received by the Group companies for the financing of development projects and bonds. The carrying amount of inventories encumbered with mortgage as at 30 June 2014 was PLN 919.5 million, and for comparison as at 31 December 2013 (restated for comparability) it was PLN 859.2 million.

Structure of investment property



Investment properties – land bank as at 30.06.2014



Detailed information on the plots with the highest value along with their intended use is presented below.

Table 9. List of plots of the highest value located in Wilanów

Location	Plot No.	Area [aq. M]	Reported value [PLN'000]	Investment plans
Warszawa Wilanów*	2/70	93,581	147,671	The area adjoining to the planned S2 north bypass of Warsaw. Plot with commercial/residential purpose. Ca. 95.6 thousand m ² of usable space may be provided. The Company does not plan to deliver any projects on that plot in the following 3 years.
Warszawa Wilanów*	2/48	72,421	88,933	The area with residential purpose and for public utility buildings, as well as sports and recreational facilities. The Company does not plan to deliver any projects on that plot in the following 3 years. The Company plans to apply for changing the zoning plan for this property.
Warszawa Wilanów*	2/96 2/228	30,899	53,263	The plots make up a compound located in the area of the planned S2 north bypass of Warsaw. In 2014, a residential estate will be designed with total usable space of ca. 30 thousand m ² .
Warszawa Wilanów*	9/1 9/2 9/3 (9 before)	21,627	38,410	Plots located nearby plots 2/96 and 2/228. On this area, residential estate will be designed with total usable space of ca. 20 thousand m ² .
Warszawa Wilanów*	2/241, 2/242 2/243 2/239, 2/240 (2/115, 2/97 before)	23,211	27,842	The Company signed a preliminary agreement for sale of this land.
Total		241,739	356,119	

*The listed plots in Wilanów represent 73% of the value of investment land located in Warsaw, classified as investment properties. Most of this land is located in the southern part of Miasteczko Wilanów south of Płaskowicka Bis and Aleja Rzeczypospolitej. These areas are well connected to the city centre, have full technical support and infrastructure. In the neighbourhood there are social, education and medical facilities. There are plans to build a large shopping centre in surrounding areas.



Table 10. List of plots of the highest value located in other locations

Location	Plot No.	Area [aq. M]	Reported value [PLN'000]	Investment plans
Dopiewiec near Poznań	188/1 184/6 184/7 184/8	497,447	128,395	<p>The area is covered with local zoning plan. In line with its provisions, the area's absorbcency is over 346 thousand m², however, the Company plans to provide residential developments with usable space of ca. 173 thousand m² and 34 thousand m² of commercial space, so that the natural landscape typical of this area is sustained. A letter of intent was signed with Nickel Development Sp. z o. o.</p> <p>Negotiations are underway in relation to the investment agreement with Nickel Development Sp. z o. o.</p>
Sopot	38	28,047	59,666	<p>The estimated absorbcency of the area provides for delivery of residential buildings with ca. 7 thousand m² of residential space, apartotel type of buildings with the space of ca. 5.7 thousand m², office building with space of ca. 7.9 thousand m² and a hotel building with 140-150 rooms.</p> <p>The Company assumes a building permit will be obtained for the usable space of ca. 8 thousand m² in 2014. In June 2014, the agreement for design works was signed.</p>
Łódź	568/30 568/32 568/33	19,474	40,042	Residential space for multi-family buildings of ca. 44 thousand m ² can be provided, with commercial space on ground floors totalling ca. 2.5 thousand m ² .
Dobrzewino	224/6 224/8	145,194	16,624	The area is covered with local zoning plan. In line with its provisions, the land may be divided into ca. 150 plots with the area of ca. 1000 m ² , on which four-unit houses may be built.
Kowale near Gdańsk	109/54	40,672	9,477	Area for residential development with the area of ca. 8.5 thousand m ² and commercial facilities with the area of ca. 3.3 thousand m ² . The Company does not plan to deliver any projects on that plot in the following 3 years.
Warszawa Wola	94	1,960	19,888	Polnord made a conditional sale agreement.
Głusków near Piaseczno	18/3-18/18 (18/2-18/14 before)	42,468	6,511	30 single-family houses may be provided on the plot in question. The zoning decision was obtained for the planned 11 houses. For the remaining houses, the proceedings for obtaining the zoning decision were commenced.
Total		775,262	280,603	

3 DEVELOPMENT PROJECTS INCLUDED IN THE INCOME STATEMENT

Table 11 presents development Project that are included in the financial results of the Group for the first half 2014.

In the period between 01.01.2014 and 30.06.2014 the Group delivered 470 units to Customers.

Table 11. Financial result per project for the first half 2014

Project	IH 2014					
	Premises delivered to customers		Revenue		Gross profit on sales	
	Units	Area of premises [sq. m]	[PLN'000]	Share [%]	[PLN'000]	Gross sales profitability
Part I - projects implemented by the wholly owned subsidiaries of Polnord SA						
Warsaw						
Śródmieście Wilanów (build. A)	29	1 861	12 853	25%	1 950	15%
Tricity						
Apartamenty Albatros	1	139	420	1%	8	2%
Ostoja Myśliwska I	4	433	2 184	4%	566	26%
Ostoja Myśliwska II	13	956	4 201	8%	792	19%
2 Potoki I	4	203	720	1%	88	12%
2 Potoki II	32	1 550	6 067	12%	836	14%
2 Potoki III (build. 1-3)	1	49	178	0%	15	8%
Sopocka Rezydencja	14	993	8 467	17%	155	2%
Osztyn						
Osiedle Tęczowy Las (build. 4)	2	97	404	1%	115	28%
Osiedle Tęczowy Las (build. 5)	30	1 672	6 883	13%	925	13%
Szczecin						
Ku Słońcu I	11	740	3 325	7%	24	1%
Ku Słońcu II (build. 2)	13	624	2 950	6%	199	7%
Łódź						
City Park I	1	282	1 170	2%	0	0%
City Park II	2	224	1 058	2%	57	5%
City Park III	1	54	238	1%	5	2%
Total Part I	158	9 876	51 118	100%	5 735	11%
Part II - projects implemented by the companies jointly controlled by Polnord SA						
Warsaw						
Ostoja Wilanów II-VII	255	15 567	115 656	89%	25 113	22%
Wrocław						
Osiedle Innova I-VII	26	1 309	7 392	6%	2 083	28%
Tricity						
Aquasfera	31	1 354	6 740	5%	1 577	23%
Total Part II	312	18 230	129 788	100%	28 773	22%
Total Part I and II	470	28 106	180 906	100%	34 508	19%

Data not weighted with Polnord's share in the project

III FINANCIAL DATA

1 CONSOLIDATED PROFIT AND LOSS ACCOUNT

Specification [000'PLN]	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013
		<i>ctransformed data</i>
Sales revenue	62 174	63 941
Revenue from sales of products, goods and materials from related parties	53 421	57 085
Revenue from sale of services from related parties	829 365	1 244 3
Lease revenue from related parties	7 924 48	5 612 1
Prime cost of sale	(48 550)	(56 984)
Inventory revaluation allowance		
Gross profit (loss) on sales	13 624	6 957
Revaluation of investment property	10 883	27 415
Selling costs	(3 202)	(3 789)
General administrative expenses	(11 228)	(10 291)
Other operating revenue	2 958	678
Other operating expenses	(2 189)	(7 346)
Gross operating profit (loss)	10 846	13 624
Financial revenue	2 126	7 385
Financial expenses	(13 973)	(27 511)
Result on sale / occasional acquisition of subsidiary		
Share in profit of associated measured with equity method	5 443	(14 136)
Gross profit (loss)	4 442	(20 638)
Income tax	1 105	142
Net profit (loss) on continued operations	5 547	(20 496)
Net profit (loss) on discontinued operations	(1 555)	(1 457)
Net profit (loss) for the financial year	3 992	(21 953)

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Specification [000'PLN]	As at 30.06.2014	As at 31.12.2013 <i>transformed data</i>
ASSETS		
Fixed assets	1 143 549	1 157 541
Tangible fixed assets	1 460	2 191
Investment property	974 914	999 945
Intangible assets	544	581
Investments in associates measured with equity method	52 040	41 829
Financial assets	533	127
Deferred tax assets	10 481	9 001
Long-term receivables	103 556	103 846
Goodwill	21	21
Other non-current assets		
Current assets	674 243	607 872
Inventories	472 158	409 511
Trade and other receivables	42 097	51 930
Other short-term financial assets	94 632	100 404
Receivables due to VAT, other taxes, customs duties, insurance and other	4 682	8 086
Income tax receivables	449	11
Prepayments and accrued income	4 737	3 659
Cash and cash equivalents	55 488	34 271
Assets classified as held for sale	10 001	10 001
TOTAL ASSETS	1 827 793	1 775 414

Specification [000'PLN]	As at 30.06.2014	As at 31.12.2013 <i>transformed data</i>
LIABILITIES		
Equity (attributable to shareholders of the parent)	1 085 579	1 081 933
Share capital	65 266	65 266
Share premium	1 059 755	1 059 755
Foreign exchange differences on translation of a foreign operation	(2 007)	(1 660)
Other reserve capitals	300 129	274 300
Retained profits/Uncovered losses	(337 565)	(315 728)
Total equity	1 085 579	1 081 933
Long-term liabilities	467 722	429 399
Interest-bearing bank loans and borrowings	463 648	424 833
Provisions	478	153
Other liabilities	3 596	4 410
Deferred income tax provision		
Prepayments and accrued income		3
Short-term liabilities	274 492	264 082
Trade and other liabilities	25 152	33 504
Current long-term portion of bank loans and borrowings	34 972	66 486
Short-term revolving loans		
Other short-term loans and borrowings	51 410	41 791
Liabilities due to VAT, other taxes, customs duties, insurance and other	1 462	5 348
Prepayments and accrued income	1 638	1 976
Advance payments received	98 542	49 512
Provisions	61 316	65 465
Total liabilities	742 214	693 481
TOTAL EQUITY AND LIABILITIES	1 827 793	1 775 414

3 COMMENTARY TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In the first half of 2014 Polnord Holding Group generated a net profit of 3.992 thousand PLN and sales revenue to the amount of 62.174 thousand PLN. The most important revenue item is revenue from the sales of goods and services totalling 53,421 thousand PLN, generated mainly from the sale of 158 premises built within residential projects located in Warsaw, Tri-City, Olsztyn, Szczecin and Łódź. Gross profit margin in the reporting period reached 22%, whereas in the same period last year the amount totalled 11%. Real estate activity of the Group was also reflected in the position - profit of associates accounted for using the equity method, *inter alia*, which was influenced by the hand-over of 312 apartments built within the framework of projects implemented by the jointly controlled entities (Fadesa, Semeko Aquasfera Sp. z o.o.), and with regard to the change of rules concerning consolidation not included in sales revenue.

Beginning from 2014, with regard to changes in accounting standards, Fadesa Polnord Poland Sp. z o.o with its subsidiaries ("Fadesa") are consolidated using the equity method, which means that there have been presentational changes in the consolidated financial statements. In the consolidated profit and loss account for Fadesa the financial result for the current period was included under one position: profit of associates accounted for using the equity method, instead of the previously used proportionate method of accounting revenue and cost. Additionally, Dom Development Corporation SA. was also included in the consolidation by using the equity method. In order to ensure comparability, the figures for the corresponding period of the previous year have been restated accordingly.

Since, in accordance with IAS 18, revenue and the cost of developer operations in the profit and loss account are recognized at the time of the handing over of the premises to buyers, gross profit from the sale does not reflect sales activities conducted during the period (sales contract of an apartment may be concluded much earlier than the handing over of the premises, i.e. at every stage of the investment, and not only after its completion). Therefore, the expected result of sales activities (companies of 100% subsidiaries and jointly controlled entities) in the first half of 2014 was presented in Table 1 in Chapter I (4) of the Management Board Report.

Revaluation of one of the plots located in Warsaw has a significant effect on the amount recognized in the item Revaluation of investment property amounting to 10.883 thousand PLN. The present revaluation has been made with regard to conditional sales agreement of plot no. 94 with an area of 1.960 m² located in Warsaw at Pereca St., valued to a net amount of 20.5 million PLN. The Company acquired the property for 8.8 million PLN in the second quarter of 2014. The transfer of funds arising from the sale will take place by the end of September 2014. Details are presented in the current [report 38/2014 dated 20.08.2014.](#)

The cost of sales and general management in the first half of 2014 totalled 14.430 thousand PLN and were at a level similar to the same period of last year. Despite the high level of costs incurred in the second quarter of 2014, the Management Board supports the estimate of total for the end of 2014 - Costs of sales and general management should not exceed 28 million zł.

Other operating income in the reporting period amounted to 2.958 thousand PLN of which 1.444 thousand PLN net is charged as a penalty to Henpol Company Sp. z o.o, for the untimely performance of construction work on the project completed in Wilanów. In addition, the amount of other operating income was affected by the release of provision for liabilities to subcontractors to the amount of 924 thousand PLN, due to a favorable litigation settlement.

Other operating expenses amounted to 2.189 thousand PLN. These constitute provisions made for the liabilities of the Group.

Financial income to the amount of 2.126 thousand PLN consists primarily of interest accrued on loans granted to companies consolidated with the equity method, i.e. mainly to the company Fadesa (1.549 thousand PLN).

Financial expenses in the reporting period amounted to 13.973 thousand PLN, of which 12.950 thousand PLN represented interest on bank loans and bonds.

A significant impact on the net profit of the Group was made by the item profit of associates accounted for using the equity method, which shows the amount of PLN 5.443 thousand.

The implementation of new projects and the continuation of existing projects, along with measures to further optimize the operating costs of Polnord Holding Group, will positively influence business performance in subsequent reporting periods.

We pay attention to detailed adjustments presented in Part B of the Report - Consolidated Report in Chapter VI (6).

4 DIFFERENCES BETWEEN FINANCIAL RESULTS AND A RECENTLY PUBLISHED FORECAST

The Capital Group did not publish a forecast of its 2014 results.

5 FACTORS AND EVENTS, ESPECIALLY THOSE OF A NON-TYPICAL CHARACTER, THAT HAD AN IMPACT ON THE PROFIT/LOSS OF THE COMPANY

In the first half 2014 there were no factors or events, especially those of a non-typical character, which would have had an impact on the reported financial results of Polnord Capital Group.

6 NOTES ON THE SEASONALITY OR CYCLICALITY OF THE CAPITAL GROUP'S BUSINESS

Due to the settlement of development projects with percentage of completion method in accordance with IAS 18, the Group recognizes revenue from the sale only after handing over units to customers, which always follows a project delivery, i.e. after completion of construction. Delivery dates of individual residential projects result from the construction cycle, which usually ends in the second half of the year.

IV NOTES AND EXPLANATIONS

1 OTHER IMPORTANT EVENTS IN THE FIRST HALF OF 2014

Agreements concluded by and between the Capital Group of Polnord and Korporacja Budowlana Dom Sp. z o. o. for implementation of housing projects

As a result of conclusion of the agreement on 24.01.2014, by and between Śródmieście Wilanów Sp. z o. o. (a wholly owned subsidiary of Polnord) and Korporacja Budowlana Dom Sp. z o. o. ("KB Dom"), the value of agreements concluded by and between the companies from the Capital Group of Polnord SA and KB Dom during the period of the last 12 months totaled PLN 134 million and exceeded 10% of the equity of Polnord. The subject matter of the aforesaid agreements is the provision of services in respect of implementation of housing projects situated in the area of Tricity, Olsztyn and Warsaw.

More details are presented in [the current report No. 10/2014 of 24.01.2014.](#)

Conclusion of a loan agreement

On 3 April 2014 it entered into an investment loan agreement with Getin Noble Bank SA with its registered office in Warsaw for up to PLN 37 million with the final repayment date on 20 December 2016.

The purpose of the loan is to finance the total repayment of Polnord debt to DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main Spółka Akcyjna Branch in Poland, formerly: DZ BANK POLSKA SA, arising from the loan agreement notified by the Company in the current report No. 14/2012 on 20 June 2012.

More details are presented [in the current report No. 21/2014 of 03.04.2014.](#)

On 28 May 2014, the Company utilised the funds under the term loan from Getin Noble Bank SA in the amount of PLN 37 million and fully cleared the loan from DZ BANK AG.

Ordinary General Meeting of Shareholders

On 14.05.2014, the Company's Ordinary General Meeting was held and it passed the resolutions regarding:

- Approval of the Company's 2013 Management Report on company's activities and the 2013 financial statements,
- Acknowledgement of the fulfillment of duties by the Company's authorities in 2013,
- Approval of the Polnord Capital Group's consolidated financial statements for 2013,
- 2013 profit distribution.

More information is presented [in the current report No. 27/2014 of 14.05.2014.](#)

2 ISSUE OF SECURITIES

Issue of shares

In the first half 2014 the Company issued no shares.

Issue of bonds

In the first half 2014, Polnord issued bonds with their total nominal value of PLN 83.4 million, including:

Table 12. Bond issue in the first half 2014

Bond issue in IH 2014			
Data of the issue	Data of maturity	Overall par value of bonds [PLN'000]	Issuing agent
11.02.2014	11.02.2017	50,000	Noble Securities SA
12.06.2014	10.06.2016	13,450	mBank SA
12.06.2014	12.06.2017	19,950	mBank SA
Total		83,400	

Redemption of bonds

In the first half Polnord issued bonds of a total nominal value of PLN 26.5 million:

Table 13. Buy/out of bonds in the first half 2014

Buy/out of bonds in IH 2014			
Buyout date	Data of maturity	Overall par value of bonds [PLN'000]	Issuing agent
12.02.2014*	13.05.2016	10,000	SGB Bank SA
17.02.2014*	31.03.2014	13,570	DM IDM SA
31.03.2014	31.03.2014	2,946	DM IDM SA
Total		26,516	

* partial redemption

3 INDEBTEDNESS OF THE CAPITAL GROUP

As at 30.06.2014, the amount of liabilities:

- for issued bonds together with the repayment schedule was as follows:

Table 14. Indebtedness of the Group from the issued bonds [mPLN]

Issue data	Offering party	Debt as at 31.12.2013	Buy/out of bonds in IH 2014	Debt as at 30.06.2014	Bonds redemption schedule (per value) [mPLN]				Maturity
					per vale [mPLN]				
					IIH 2014	2015	2016	2017	
29.03.2012	DM IDM	16.5	-16.5	0.0					31.03.2014
28.06.2012	mBank	30.0		30.0		30.0			26.06.2015
12.07.2012	mBank	10.0		10.0		10.0			26.06.2015
20.08.2012	SGB Bank	60.0		60.0			60.0		20.08.2016
05.09.2012	mBank	10.0		10.0		10.0			26.06.2015
21.09.2012	SGB Bank	8.5		8.5			8.5		21.09.2016
26.09.2012	mBank	39.5	-3.0*	36.5		36.5			28.09.2015
24.10.2012	DM Bank BPS	24.0		24.0		24.0			24.10.2015
16.01.2013	DM Bank BPS	19.0		19.0			19.0		16.01.2016
18.01.2013	DM Bank BPS	20.0		20.0			20.0		18.01.2016
22.01.2013	DM Bank BPS	26.5		26.5			26.5		22.01.2016
13.05.2013	SGB Bank	46.0	-10.0	36.0			36.0		13.05.2016
11.02.2014	Noble	0,0	50.0	50.0				50.0	11.02.2017
12.06.2014	mBank	0.0	13.5	13.5			13.5		10.06.2016
12.06.2014	mBank	0.0	20.0	20.0				20.0	12.06.2017
		310.0	53.9	363.9**	0.0	110.5	183.5	70.0	

*purchased by Surplus Sp. z o. o. Domitus S. J. of the bonds of Polnord with a total face value of PLN 3 million

**this amount does not include interest accrued on bonds which amounts to (PLN +4,4 million) and deferred commission costs (PLN -5.5 million)

The Group's balance sheet debt due to the bonds issued as at 30 June 2014 (principal + interest – commission costs) was PLN 362.8 million.

- for loans taken out (excluding interest accrued) together with the repayment schedule:

Table 15. Summary of loans of Polnord SA Capital Group [in mPLN]

Borrower	Bank	Type	Current limit [mPLN]	Debt as at 30.06.2014 without interest [mPLN]	Schedule of capital repayment (current debt) [mPLN]					Maturity date	
					3Q2014	4Q2014	1Q2015	2Q2015	after 2Q2015		
Loans of Polnord SA and 100% subsidiaries of Polnord SA											
Polnord SA	Getin Noble Bank SA	investment	37.0	37.0		2.0				35.0	20.12.2016
Wilanów Office Park-Budynek B1 Sp. z o.o.	PKO BP SA	refinanse	62.8	62.8						62.8	31.12.2030
Wilanów Office Park-Budynek B3 Sp. z o.o.	PKO BP SA	development (B3)	35.8	35.8	0.5	0.5	0.6	0.6		33.6	30.04.2025
Polnord Apartamenty Sp. z o.o.	PKO BP SA	development	12.9	12.9	6.3	0.1	0.1	0.1		6.2	30.09.2015
Polnord Szczecin Ku Stońcu Sp. z o.o.	PKO BP SA	development	22.6	22.6	4.6	5.5	7.1	5.4			30.06.2015
Polnord Gdańsk Dwa Tarasy Sp. z o.o.	Alior Bank SA	development	12.0	0.0							31.12.2015
Polnord Warszawa-Ząbki Neptun Sp. z o.o.	Bank BPS SA	investment (land)	16.2	16.2		0.4	0.4	0.8		14.6	31.12.2019
Loans				187.3	11.4	8.5	8.2	6.9	152.3		

Due to the changes in accounting standards, including in particular IFRS 11 in terms of the proportionate consolidation, with effect from 01.01.2014, Fadesa Polnord Poland Sp. z o. o. and its subsidiaries ("Fadesa") are consolidated using the equity method, which means that there were changes in the presentation in the consolidated financial statements: in the consolidated balance sheet, Fadesa was included in the item – Investments in associates measured with the equity method, and in the consolidated profit and loss account, Fadesa was included in the item – Share in profit of associate measured with the equity method. Consequently, as from 2014, the proportional recognition of assets and liabilities of Fadesa in the consolidated balance sheet

According to the new consolidation rules, the gross balance sheet debt as at 30 June 2014 was PLN 550 million, and the net debt reached the level of PLN 494.5 million.

In the first half 2014, the Group companies repaid the following loans:

- On 14 February 2014, Polnord Sopot II Sp. z o. o. made a full, early repayment of the loan incurred under the credit agreement dated 8 September 2008 made with PKO BP SA. Based on the agreement, the bank sanctioned a loan to the company for financing the cost of purchasing the perpetual usufruct rights for land located in Sopot.
- On 24 March 2014, the company Śródmieście Wilanów Sp. o. o. made a full, early repayment of the loan sanctioned on 3 October 2007 by Bank Zachodni WBK SA with the purpose of making payment for a part of the purchase price for the property located in Warsaw in Wilanów district, up to PLN 47.6 million.
- On 28 May 2014, Polnord SA made a full, early repayment of the loan from DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main SA using funds from the term loan sanctioned to the Company by Getin Noble Bank SA up to the amount of PLN 37 million, with maturity on 20 December 2016.

- On 13 June 2014, Polnord Apartamenty Sp. z o. o. made a full, early repayment of the loan incurred under the credit agreement dated 27 March 2013 made with Alior Bank. For the remaining agreements, the bank sanctioned a loan to the company in the amount of PLN 17.9 million, to deliver the development project "2 Potoki stage II" in Gdańsk.

4 LITIGATIONS PENDING BEFORE COURT, RELEVANT ARBITRATION AUTHORITIES, OR PUBLIC ADMINISTRATIONAL AUTHORITIES

The below described proceedings relate to the largest receivables of the group and were conducted between 01.01.2014 and 30.06.2014 by Polnord SA or its subsidiaries. The detailed description of the actions initiated in 2013 was contained in the [Consolidated Annual Report for 2013](#), publicly announced on 21.03.2014. In relation to the proceedings described in the Consolidated Annual Statements for 2013, in the reporting period, i.e. from 1 January 2014 to 30 June 2014 there were no material changes.

In the first half of 2014 there were proceedings related to receivables of Polnord SA whose total value constituted at least 10% of the Company's equity.

Table 16. Claims under litigation

Road compensatory receivables from the Capital City of Warsaw	Date of submission	Claim amount	Case status	Receivables in consolidated financial statements
Tort damages from the capital City of Warsaw	16.09.2013	PLN 123.0 million	Case pending (value of the claim increases over time)	PLN 123.0 million (assigned to Conditional Assests)
Compensation for 10 hectares of areas dedicated for public roads *	28.06.2013	PLN 182.2 million	Motion to initiate negotiations was filed	PLN 182.2 million (assigned to Conditional Assests)
Compensation for water and sewage infrastructure from MPWiK	Date of submission	Claim amount	Case status	Receivables in consolidated financial statements
Claim for compensation for non-contractual use of the water and sewage infrastructure in Miasteczko Wilanów	25.04.2012	PLN 11.8 million **	Case pending (value of the claim increases over time)	} PLN 74 million
Claim for take-over, for remuneration, of the water and sewage network in Miasteczko Wilanów	05.03.2013	PLN 57.3 million **	Case pending	
Claim for take-over, for remuneration, of the sanitary sewerage in Miasteczko Wilanów		Approx PLN 55 million	In preparation	

* Claim is pursued by Polnord through the SPV, 10 H Sp. z o. o. with its registered office in Gdynia,

** The amount of the principal claim does not include statutory interest

5 THE INFORMATION ON THE CONCLUSION BY POLNORD SA OR ITS SUBSIDIARY OF ONE OR MORE TRANSACTIONS WITH RELATED PARTIES, IF THEY ARE MATERIAL, INDIVIDUALLY OR JOINTLY, AND IF THEY ARE NOT ARM'S-LENGTH TRANSACTIONS

In the reporting period there were no significant transactions other than arm's-length transactions.

6 INFORMATION ON LOAN OR BORROWING GUARANTEES OR SURETIES GRANTED BY POLNORD SA AND ITS SUBSIDIARIES TO ONE ENTITY IF THE TOTAL VALUE OF THE EXISTING GUARANTEES OR SURETIES REACHES AT LEAST 10% OF THE EQUITY OF POLNORD SA

In the first half of 2014, neither Polnord SA nor any of its Group companies granted a surety in the amount exceeding 10% of the Company's equity.

The total value of the active guarantees issued by Polnord for the credit obligations of subsidiaries and co-subidiaries, as at 30 June 2014, in relation to the operations conducted, totalled PLN 160.1 million, while the overall amount of active guarantees sanctioned to a third party totalled PLN 0.8 million.

The amount of active guarantees sanctioned by a Group company, i.e. Śródmieście Wilanów Sp. z o. o. for the credit obligations of Polnord SA totalled PLN 55.5 million.

Polnord provides Group companies with guarantees securing the repayment of credit obligations related to financing development projects. However, due to the low likelihood of the outflow of funds from the Companies in relation to such guarantees being called, in line with IAS 37, the Company does not post conditional obligations under off-balance sheet items.

7 ACHIEVEMENTS IN THE AREA OF RESEARCH AND DEVELOPMENT

Companies belonging to the Group do not carry out research and development.

8 INFORMATION CONCERNING THE PURCHASE OF COMPANY SHARES

In the first half of 2014 the Company did not acquire its own shares and does not possess any treasury shares.

9 INFORMATION CONCERNING BRANCHES

Companies belong to the Group do not have any branches.

10 INFORMATION CONCERNING FINANCIAL INSTRUMENTS

In the first half of 2014 Companies from the Group did not make recourse to financial instruments.

11 OTHER INFORMATION SIGNIFICANT FOR THE ASSESSMENT OF THE PERSONNEL, ECONOMIC AND FINANCIAL STANDING, FINANCIAL RESULT AND ANY CHANGES IN THESE ASPECTS OF BUSINESS, NECESSARY TO ASSESS THE GROUP'S CAPACITY TO MEET ITS OBLIGATIONS

Important information for the assessment of the personnel, material and financial situation as well as the financial result and changes thereto is provided for in [Chapter II - Activity of the Capital Group](#) - and in [Section 8](#) below and in part Consolidated statements in Chapter VI, Section 6.

12 FACTORS WHICH WILL INFLUENCE GROUP'S FINANCIAL PERFORMANCE FOR AT LEAST THE UPCOMING QUARTER

The key factors which may affect the Group's financial standing include:

- success of the strategy adopted by the Group;
- the economic condition of the residential market, including prices of residential units;
- availability of external sources of financing for development companies;
- banks' policies on granting mortgage loans to natural persons and the level of interest rates;
- the Act on the protection of the rights of buyers of residential units or single-family houses – "Property Development Act";
- timely, on schedule completion of development projects and timely delivery;
- amendments to legal provisions which may affect the demand on the market of products offered by the Company;
- obtaining required administrative decisions within statutory time limits;
- objectives and price limits of the government programme Flat for the Young;
- Fund of flats for rent programme;
- macro-economic factors.

13 IMPORTANT RISK FACTORS AND THREATS

Factors with potentially negative effect on the Company's and the Polnord Capital Group's business:

- Policy of the banking sector towards property development companies;

The volume of loans granted to property development companies significantly influences the number of projects launched. Polnord SA, by issuing stocks and bonds, effectively neutralises this risk, is able to implement the strategy adopted by the Group and initiate new property development projects.

- Banking sector's mortgage loan policy towards natural persons;

The recommendations issued by the Polish Financial Supervision Authority in recent years have significantly affected the mortgage loans market. Recommendations S II and S III introduced more strict requirements for borrowers. The purpose of Recommendation T is to improve the quality of risk management in banks and to prevent borrowers from taking on excessive debt. Recommendation T set the credit worthiness level by defining, among other things, the relation between loan instalments and monthly income as the indicator of the maximum loan amount. Recommendation S stipulates that the maximum level of expenditures related to the repayment of mortgage loans in foreign currencies in relation to average net income should not exceed 42%, while the credit worthiness must be calculated with the assumption that the loan is raised for 25 years. Recommendation S II influences how the banks calculate their customers' credit worthiness by limiting the amount of the available loans, in particular foreign currency loans. Recommendation S III introduced as of 01.01.2014, a mandatory 5% deposit, which ultimately is expected to reach 20% in 2017. At the same time, banks will no longer be able to grant loans indexed or denominated in foreign currencies, and the maximum repayment period shall not exceed 35 years. The above regulations as well as any following which may be issued in the future may limit access to mortgage loans which may contribute to a decrease in the effective demand for flats.

- Prices of flats;

The main factor which guarantees a successful completion of an investment is the sale of the completed development projects (flats, houses) at the planned price, ensuring the expected margin for the developer. There is a risk that the Company may not sell all of the completed investments for the planned prices. Recently, the Company has observed a stabilisation of the prices of residential units and a movement in the residential market.

- Oversupply of residential units;

Currently, the residential market is characterized by oversupply, resulting from built and unsold in the previous year's units as well as development projects in progress. Large supply in the market may limit the Group's revenue. From several quarters the size of the supply on the primary residential market has been steadily declining.

- Possible loss of qualified subcontractors;

The bad financial situation in the construction industry may result in a collapse of some companies. This results in a limited availability of services and may raise the Company's costs of operation.

- Acquiring land for prospective property development projects;

When acquiring land for new investments, it may be the case that an investment is delayed or the costs of preparing land for implementing a project increase. This may lead to an investment being less profitable than originally expected.

- Instability of the tax system;

One of the characteristics of the Polish tax system is its instability. Tax regulations change very frequently. In addition, tax authorities use both the tax regulations as well as tax interpretations issued by other authorities or court rulings. Such interpretations, judgements of other revenue authorities or courts are often inconsistent in the line of solutions and are subject to changes depending on a date and place of the interpretations or decisions issuance. Therefore, the values of the financial statements may change after inspection by tax authorities. The Company may be obliged to pay significant amounts of extra tax, interest and fines.

- Obtaining adequate administrative permits;

To run a successful business in the property development industry, permits, decisions or administrative approvals required for implementing construction projects must be obtained. There is a risk that the absence or withdrawal of adequate administrative permits during the implementation of a project may negatively affect the capacity to implement or complete property development projects.

- Macroeconomic factors;

Slowdown of the economic growth, stagnation of remunerations and increase in the effective tax rate as well as deterioration of the situation on the labour market, limitations of the government programmes supporting acquisition of new flats may translate into a deterioration of the public sentiment and, therefore, on the purchasing power of the society, leading to drop in demand for the products offered by the Group.

14 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE NOT INCLUDED IN THIS REPORT, THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE FINANCIAL RESULTS

After the balance-sheet date, i.e. on:

- On 21 July 2014 it performed early bonds redemption in order to redeem the part, namely 2,775 bonds of the Company of the total nominal value of PLN 27,750 thousand. The bonds in question were issued on 26 September 2012 with the maturity date falling on 28 September 2015. Funds for the early redemption of the Bonds shall be derived from advance payments made on account of the net price of the plots of land No 2/97 and 2/115 located in Warsaw, Wilanów district in the amount of PLN 26,692,650.00 and the remaining part from the Polnord's own resources.
- On 19 August 2014 it concluded with a third party a conditional agreement on the sale of the plot of land No 94 with an area of 1,960 sq. m. located in Warsaw at Pereca, for the net amount of PLN 20.5 million, i.e. PLN 25.2 million gross. Transfer agreement shall be concluded within 7 days from the ineffective expiry of the 30-day statutory period for the execution of the right of pre-emption by the Mayor of the capital city of Warsaw or within 7 days from the receipt of the statement of the Mayor of

the capital city of Warsaw on the waiver to exercise the right of pre-emption. The foregoing means that the conclusion of the transfer agreement and the payment of the price due shall take place by the end of September 2014. The amounts acquired due to the sale of the plot will cause the decrease in the net debt of the Capital Group Polnord in the third quarter of 2014.

B. INTERIM SHORT-FORM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1ST 2014 TO JUNE 30ST 2014 CONSISTING OF SHORT-FORM INDIVIDUAL FINANCIAL STATEMENTS OF POLNORD SA

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I CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the period between 01.01.2014 and 30.06.2014

Specification [000'PLN]	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013 <i>transformed data</i>
Sales revenue	62 174	63 941
Revenue from sales of products, goods and materials	53 421	57 085
from related parties		
Revenue from sale of services	829	1 244
from related parties	365	3
Lease revenue	7 924	5 612
from related parties	48	1
Prime cost of sale	(48 550)	(56 984)
Inventory revaluation allowance		
Gross profit (loss) on sales	13 624	6 957
Revaluation of investment property	10 883	27 415
Selling costs	(3 202)	(3 789)
General administrative expenses	(11 228)	(10 291)
Other operating revenue	2 958	678
Other operating expenses	(2 189)	(7 346)
Gross operating profit (loss)	10 846	13 624
Financial revenue	2 126	7 385
Financial expenses	(13 973)	(27 511)
Result on sale / occasional acquisition of subsidiary		
Share in profit of associated measured with equity method	5 443	(14 136)
Gross profit (loss)	4 442	(20 638)
Income tax	1 105	142
Net profit (loss) on continued operations	5 547	(20 496)
Net profit (loss) on discontinued operations	(1 555)	(1 457)
Net profit (loss) for the financial year	3 992	(21 953)
Attributable to:		
Shareholders of the parent company	3 992	(21 953)
Minority shareholders		

II CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period between 01.01.2014 and 30.06.2014

Specification [000'PLN]	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013
		<i>transformed data</i>
Net profit / (loss) for the financial year	3 992	(21 953)
Other comprehensive income:	(347)	283
Items that may be reclassified to profit or loss in the future:		
Valuation of financial assets available for sale		
Foreign exchange gains/losses on translation	(347)	283
Other		
Income tax on components of other comprehensive income		
Comprehensive income for the period	3 645	(21 670)
Attributable to:		
Shareholders of the parent company	3 645	(21 670)
Minority shareholders		

III CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

as at 30.06.2014

Specification [000'PLN]	As at 30.06.2014	As at 31.12.2013 <i>transformed data</i>
ASSETS		
Fixed assets	1 143 549	1 157 541
Tangible fixed assets	1 460	2 191
Investment property	974 914	999 945
Intangible assets	544	581
Investments in subsidiaries, jointly-controlled subsidiaries and associates		
Investments in associates measured with equity method	52 040	41 829
Financial assets	533	127
Deferred tax assets	10 481	9 001
Long-term receivables	103 556	103 846
Goodwill	21	21
Other non-current assets		
Current assets	674 243	607 872
Inventories	472 158	409 511
Trade and other receivables	42 097	51 930
Other short-term financial assets	94 632	100 404
Receivables due to VAT, other taxes, customs duties, insurance and other	4 682	8 086
Income tax receivables	449	11
Prepayments and accrued income	4 737	3 659
Cash and cash equivalents	55 488	34 271
Assets classified as held for sale	10 001	10 001
TOTAL ASSETS	1 827 793	1 775 414

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) CONT.

as at 30.06.2014

Specification [000'PLN]	As AT 30.06.2014	As at 31.12.2013 <i>transformed data</i>
LIABILITIES		
Equity (attributable to shareholders of the parent)	1 085 579	1 081 933
Share capital	65 266	65 266
Share premium	1 059 755	1 059 755
Foreign exchange differences on translation of a foreign operation	(2 007)	(1 660)
Other reserve capitals	300 129	274 300
Retained profits/Uncovered losses	(337 565)	(315 728)
Total equity	1 085 579	1 081 933
Long-term liabilities	467 722	429 399
Interest-bearing bank loans and borrowings	463 648	424 833
Provisions	478	153
Other liabilities	3 596	4 410
Deferred income tax provision		
Prepayments and accrued income		3
Short-term liabilities	274 492	264 082
Trade and other liabilities	25 152	33 504
Current long-term portion of bank loans and borrowings	34 972	66 486
Short-term revolving loans		
Other short-term loans and borrowings	51 410	41 791
Liabilities due to VAT, other taxes, customs duties, insurance and other	1 462	5 348
Prepayments and accrued income	1 638	1 976
Advance payments received	98 542	49 512
Provisions	61 316	65 465
Total liabilities	742 214	693 481
TOTAL EQUITY AND LIABILITIES	1 827 793	1 775 414

IV CONSOLIDATED CASH FLOW STATEMENT

for the period between 01.01.2014 and 30.06.2014

Specification [000'PLN]	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013 <i>transformed data</i>
Cash flows from operating activities		
Gross profit (loss)	2 887	(22 095)
Adjustments:	9 773	22 727
Share in profit of associated measured with equity method	5443	14 136
Depreciation and amortisation	618	470
Net interest and dividends	12 565	12 224
Profit/(loss) on investing activities	26 918	(27 415)
(Increase)/decrease in receivables	59 731	1 446
(Increase)/decrease in inventories	(39 301)	5 691
Increase/(decrease) in short-term liabilities excluding loans and borrowings	(25 476)	17 210
Change in prepayments and accruals	(24 760)	(3 012)
Change in provisions	(3 823)	1 511
Income tax paid	(547)	181
Other	(1 595)	285
Net cash generated by operating activities	12 660	632
Cash flows from investing activities		
Inflows	139 829	23 487
Sale of tangible fixed assets and intangible assets	236	13
Sale of investment properties		
Sale of financial assets		
Dividends received	3	
Interest received	10 121	875
Repayment of loans granted	129 469	3 199
Redemption of third party bonds		19 400
Outflows	(117 670)	(6 309)
Purchase of investment properties	(140)	(4)
Purchase of investment properties	(9 089)	(6 302)
Purchase of financial assets	(3 074)	
Acquisition of shares in subsidiary, less acquired cash		(3)
Loans granted	(105 367)	
Other		
Net cash used in investing activities	22 159	17 178
Cash flows from financing activities		
Inflows	163 415	144 936
Inflows from issuance of shares		
Inflows from loans/borrowings taken out	80 320	28 436
Inflows from issuance of bonds	83 095	116 500
Other		
Outflows	(177 017)	(166 585)
Repayment of finance lease liabilities	(30)	(170)
Repayment of loans/borrowings	(134 709)	(35 756)
Interest paid	(15 762)	(25 126)
Redemption of bonds	(26 516)	(105 500)
Other		(33)
Net cash generated by financing activities	(13 602)	(21 649)
Net increase (decrease) in cash and cash equivalents	21 217	(3 839)
Net foreign exchange gains/losses		(4)
Cash and cash equivalents at the beginning of the period	34 271	43 324
Cash and cash equivalents at the end of the period, of which	55 488	39 481
Restricted cash	28	541

V STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

for the period between 01.01.2014 and 30.06.2014

Specification [000'PLN]	Attributable to shareholders of the parent company						Non-controlling interest	Total equity
	Share capital	Share premium	Foreign exchange differences on translation of a foreign operation	Other reserve capitals	Retained profits/uncovered (losses)	Total		
As at 01.01.2013	51 266	1 026 203	(295)	228 799	(228 891)	1 077 082	1 077 082	
Result carried forward from previous period				45 557	(45 557)			
Total comprehensive income			283	8 337	1 601 (31 893)	1 884 (23 556)	1 884 (23 556)	
As at 30.06.2013	51 266	1 026 203	(12)	282 693	(304 740)	1 055 410	1 055 410	
Share issue	14 000	36 050				50 050	50 050	
Share issue costs		(2 498)				(2 498)	(2 498)	
Managerial Option scheme				234		234	234	
Total comprehensive income			(1 648)	(8 627)	3 157 (14 145)	(7 118) (14 145)	(7 118) (14 145)	
As at 31.12.2013	65 266	1 059 755	(1 660)	274 300	(315 728)	1 081 933	1 081 933	
As at 01.01.2014	65 266	1 059 755	(1 660)	274 300	(315 728)	1 081 933	1 081 933	
Share issue								
Share issue costs								
Result carried forward from previous period				25 829	(25 829)			
Managerial Option scheme								
Total comprehensive income			(347)		3 992	3 645	3 645	
As at 30.06.2014	65 266	1 059 755	(2 007)	300 129	(337 565)	1 085 579	1 085 579	

VI NOTES AND EXPLANATIONS

1 GENERAL INFORMATION

The Polnord SA Capital Group ("Group") is composed of the parent company Polnord SA, its subsidiaries, jointly-controlled subsidiaries and affiliates indicated in point 2 below.

The condensed consolidated financial statements cover the period from 01.01.2014 to 30.06.2014, and contain relevant comparative data as at 31.12.2013 and for the period from 01.01.2013 to 30.06.2013 ("Consolidated statements").

Primary data of the Parent Company are presented in the Report of the Management Board of Polnord Group SA for the period from 01.01.2014 to 30.06.2014. ("Report of the Management Board ") in Table 4 Chapter 1 (7).

The core business of the Polnord SA Capital Group consists in the development and sale of residential and commercial property. Polnord SA executes development and commercial projects, mainly using special purpose vehicles.

The duration of the Parent Company and of the member companies of the Group, as at 30.06.2014, is indefinite.

2 COMPOSITION OF THE POLNORD CAPITAL GROUP

Polnord SA is the dominant company of Polnord Holding Group SA. Detailed information about subsidiaries, joint ventures and associates at the date of 30.06.2014 have been presented below.

Table 1. Structure of Polnord SA Capital Group

Company name	Registered office	Par value of shares held [PLN]	% of capital/votes	Consolidation method
Polnord Szczecin Ku Słońcu Sp. z o.o.	Gdynia	50.000	100%	Full
Polnord Łódź City Park Sp. z o.o.	Gdynia	1.050.000	100%	Full
Polnord - Apartamenty Sp. z o.o.	Gdynia	1.050.000	100%	Full
Polnord Sopot II Sp. z o.o.	Gdynia	25.173.500	100%	Full
Polnord Olsztyn Tęczowy Las Sp. z o.o.	Gdynia	5.000.000	100%	Full
Polnord Warszawa-Ząbki Neptun Sp. z o.o.	Gdynia	50.000	100%	Full
Śródmieście Wilanów Sp. z o.o.	Gdynia	50.000	100%	Full
Wilanów Office Park – budynek B1 Sp. z o.o.	Gdynia	8.582.656	100%	Full
Wilanów Office Park – budynek B3 Sp. z o.o.	Gdynia	700.000	100%	Full
Surplus Sp. z o.o.	Gdynia	50.000	100%	Full
Surplus Sp. z o.o. Sp. jawna ***	Gdynia	Contributions	100%	Full
Polnord Marketing Sp. z o.o.	Gdynia	53.605.000	100%	Full
Polnord Gdańsk Dwa Tarasy Sp. z o.o.	Gdynia	5.000	100%	Full
Polnord Gdynia Brama Sopotcka Sp. z o.o.	Gdynia	5.000	100%	Full
10 H Sp. z o.o.	Gdynia	5.000	100%	Full
Surplus Sp. z o.o. DOMITUS Spółka jawna**	Gdynia	Contributions	100%	Full
Stroj-Dom ZSA	Saratow (Russiaa)	99.290	100%	Full
Hydrosspol Sp. z o.o. under liquidation	Gdańsk	15.000	30%	Nor included
Stacja Kazimierz I Sp. z o.o.	Warszawa	2.500	50%	Equity method
Stacja Kazimierz I Sp. z o.o. SKA	Warszawa	25.000	50%	Equity method

Stacja Kazimierz Sp. z o.o.	Warszawa	2.500	50%	Equity method
Stacja Kazimierz Sp. z o.o. SKA	Warszawa	5.041.500	50%	Equity method
Semeko Aquasfera Sp. z o.o.	Gdynia	10.000.000	50%	Equity method
Fadesa Polnord Polska Sp. z o.o.	Warsaw	12.250.000	49%	Equity method
FPP Powsin Sp. z o.o.*	Warsaw	2.474.500	49%	Equity method
Osiedle Innova Sp. z o.o.*	Warsaw	3.454.500	49%	Equity method
FPP Osiedle Moderno Sp. z o.o.*	Warsaw	1.472.450	49%	Equity method
Korporacja Budowlana Dom SA	Kartoszyno	28.116.720	17.70%	Equity method

*indirect subsidiarity through Fadesa Polnord Polska Sp. z o.o.

**formerly Surplus Sp. z o.o. Domitus SKA

***formerly Surplus Sp. z o.o. SKA

As at 30.06.2014, the Group's share in the overall number of votes in subsidiaries, jointly-controlled subsidiaries and affiliates is equal to the Group's share in these companies' capitals.

Changes in equity relations of Polnord SA with other entities that occurred in the first half of 2014 and after the balance sheet date as a date of preparation of these Consolidated statements are described in detail in the Management Report in Chapter I, point. 7.

Non-consolidated companies

The consolidated statements do not include Hydrosspol Sp. z o.o., in liquidation, which discontinued its business. This company's financial figures are not material for the overall Consolidated statements.

3 APPROVAL OF THE FINANCIAL STATEMENTS

These interim Consolidated statements were approved for publication by the Management Board on 29.08.2014.

4 MATERIAL VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATES

4.1 PROFESSIONAL JUDGEMENT

In the application of the accounting principles (policy) to the issues discussed below, the most important aspect, apart from the accounting estimates, was the professional judgment of the management.

4.2 IMPORTANT ESTIMATES AND ASSUMPTIONS

Estimates and judgements are constantly verified. They result from previous experience and other factors, including forecasts related to future events which seem justified in a given situation. Compared to 31.12.2013, the Group did not change significantly estimates and assumptions.

5 BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

These Consolidated statements have been prepared in line with the historical cost principle, except for investment property, financial assets available for sale and warrants granted (Managerial Options), which are measured at fair value. Except for the above items, the statements do not contain any items that are measured with another method, according to the principles adopted by the Group.

The Consolidated statements are presented in thousands of Polish zloty, unless indicated otherwise.

Certain information and disclosures in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") are normally included in annual consolidated financial statements; they have been condensed or omitted in accordance with IAS 34 "Interim Financial Reporting" (IAS 34).

These interim condensed consolidated statement of financial position, interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity have not been audited, but have been reviewed by an independent auditor.

These interim Consolidated statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements prepared in accordance with IFRS for the year ended 31.12.2013.

The Consolidated statements have been prepared based on the going concern assumption. Therefore, as at the day of approving these financial statements for publication, there are no circumstances threatening the Group companies' going concern status.

5.1 COMPLIANCE DECLARATION

These Consolidated statements have been prepared in compliance with the applicable International Financial Reporting Standards (IFRS), as adopted by the EU. The IFRS include standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements of most subsidiaries have been prepared according to the accounting principles (policy) resulting from the International Financial Reporting Standards and the related interpretations published as Regulations of the European Commission, and, to the extent not regulated by these Standards, as per the requirements of the Polish Accounting Act and secondary legislation based on the Act. The remaining financial statements of subsidiaries have been prepared according to the provisions of the Accounting Act and, for the purpose of the consolidation of the Capital Group, the Consolidated statements include suitable adjustments and restatements as per the accounting principles in line with the IAS/IFRS.

In these Consolidated statements, the Group has applied all International Financial Reporting Standards effective as of 01.01.2014 as well as standards which came into effect before 30.06.2014.

The Group has analysed new standards and interpretations and amendments to the existing standards and interpretations.

The amendments to the standards and interpretations, except for the required new disclosures, do not affect the financial results presented in these consolidated financial statements.

5.2 CHANGES RESULTING FROM AMENDMENTS TO IFRS

Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- **IFRS 10 "Consolidated Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 "Joint Arrangements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 "Disclosures of Interests in Other Entities"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” – Transition Guidance**, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements” – Investment Entities**, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 “Financial instruments: presentation” – Offsetting Financial Assets and Financial Liabilities**, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets**, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting**, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The above-mentioned standards, interpretations and amendments to standards have not had a material effect on the Company's accounting policy.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **IFRIC 21 “Levies”** (effective for annual periods beginning on or after 17 June 2014).

5.3 STANDARDS NOT YET IN FORCE (NEW STANDARDS AND INTERPRETATIONS)

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at 29.08.2014 (the effective dates stated below is for IFRS in full):

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 “Revenue from Contracts with Customers”** (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- **Amendments to IAS 27 “Separate Financial Statements”** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014).

The Entity anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Entity in the period of initial application. Description of the effects of changes in standards (IFRS 11) has been broadly presented in Section 7 below.

5.4 CURRENCY FOR MEASUREMENTS AND THE FINANCIAL STATEMENTS

The items included in the financial statements of individual companies of the Group are measured in the currency of the main business environment in which a given company operates (functional currency).

The parent company’s functional and presentation currency is the Polish zloty (PLN).

The reporting currency of the Consolidated statements is the Polish zloty (PLN).

The functional currencies of some of the Group companies are other than the Polish zloty (PLN). These companies’ financial statements, prepared in their functional currencies, are included in these Consolidated statements after being converted into PLN according to the principles of IAS 21.

Financial statements of foreign operations are translated into PLN as follows:

- balance sheet items: according to the average exchange rate published by the National Bank of Poland as at the balance sheet day;
- items from the profit and loss account: according to the arithmetical mean of the average exchange rates published by the National Bank of Poland for the last day of the financial month. Foreign exchange differences resulting from this translation are recognised directly in equity under a separate

item. At the time of sale of a foreign operation, the accumulated deferred foreign exchange differences recognised in equity and related to a given foreign operation are recognised in the profit and loss account.

Table 2. Foreign exchange rates

Currency	Exchange rates used for the balance sheet valuation purposes		Exchange rates used for the purposes of valuation of income statement items	
	30.06.2014	31.12.2013	01.01.2014 - 30.06.2014	01.01.2013 – 30.06.2013
USD	3.0473	3.0120	3.0539	3,2165
EUR	4.1609	4.1472	4.1784	4,2140
RUB	0.0897	0.0914	0.0867	0,1031

Due to the changes in accounting standards, including in particular IFRS 11 in terms of the proportionate consolidation, with effect from 01.01.2014, Fadesa Polnord Poland Sp. z o.o. and its subsidiaries (“Fadesa”) are consolidated using the equity method, which means that there were changes in the presentation in the consolidated financial statements:

- in the consolidated balance sheet, Fadesa was included in the item – Investments in associates measured with the equity method, and
- in the consolidated profit and loss account, Fadesa was included in the item – Share in profit of associate measured with the equity method.

Consequently, as from 2014, the proportional recognition of assets and liabilities of Fadesa in the consolidated balance sheet and of individual revenues and costs of Fadesa in the consolidated profit and loss account was discontinued. Figures for the comparable periods were restated accordingly.

In addition, following the recommendations of the new Auditor, the Management Board has carried out a comprehensive review of the reports and identified corrections that have been presented in Part B of the Report - Consolidated Report in Chapter VI (6).

Table 3. Selected financial data-consolidated financial statement

	PLN' 000		EUR' 000	
	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013
PROFIT AND LOSS ACCOUNT				
Sales revenue	62 174	63 941	14 880	15 173
Gross profit (loss) on sales	13 624	6 957	3 261	1 651
Gross operating profit (loss)	10 846	13 624	2 596	3 233
Gross profit (loss)	4 442	(20 638)	1 063	(4 897)
Net profit (loss) on continued operations	5 547	(20 496)	1 328	(4 864)
Net profit / (loss) for the financial year	3 992	(21 953)	955	(5 210)
BALANCE SHEET	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Equity	1 085 579	1 081 933	260 900	260 883
Long-term liabilities	467 722	429 399	112 409	103 540
Short-term liabilities	274 492	264 082	65 969	63 677
Fixed assets	1 143 549	1 157 541	274 832	279 114
Current assets	674 243	607 872	162 043	146 574
Assets classified as held for sale	10 001	10 001	2 403	2 411
Assets in total	1 827 793	1 775 414	439 278	428 100

Table 4. Selected financial data – individual financial statement

	PLN' 000		EUR' 000	
	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013
PROFIT AND LOSS ACCOUNT				
Sales revenue	15 950	11 292	3 817	2 680
Gross profit (loss) on sales	13 687	11 292	3 276	2 680
Gross operating profit (loss)	(14 666)	(7 213)	(3 510)	(1 712)
Gross profit (loss)	(29 414)	(9 805)	(7 040)	(2 327)
Net profit (loss) on continued operations	(30 499)	(7 598)	(7 299)	(1 803)
Net profit / (loss) for the financial year	(32 054)	(9 055)	(7 671)	(2 149)
BALANCE SHEET				
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Equity	1 080 933	1 114 157	259 783	268 653
Long-term liabilities	355 212	296 125	85 369	71 403
Short-term liabilities	142 176	172 498	34 170	41 594
Fixed assets	1 368 386	1 394 379	328 868	336 222
Current assets	199 934	178 400	48 051	43 017
Assets classified as held for sale	10 001	10 001	2 403	2 411
Assets in total	1 578 321	1 582 780	379 322	381 650

6 ERROR ADJUSTMENT

Following the recommendations of the new Auditor, the Management Board has undertaken a comprehensive review of reports and identified adjustments and corrections as listed below:

Description [PLN '000]	CONSOLIDATED DATA restated in accordance with the consolidated method change – equity method – <u>Opening balance before adjustments</u>	Adjustment – description	Individual adjustment	Consolidation adjustment	Adjustments in total after consolidation	CONSOLIDATED DATA restated in accordance with the consolidated method change – equity method – <u>Opening balance after adjustments</u>	Adjustment – impact on the result in the individual financial statements of POLNORD and on the result in the consolidated financial statements of GK POLNORD
	2013-12-31			2013-12-31			2014-06-30
EQUITY AND LIABILITIES							
Equity (attributable to stockholders of the parent company)	1 370 110					1 081 933	
Share capital	65 266					65 266	
Share premium	1 061 668			-1 913	-1 913	1 059 755	
<i>of which:</i>		<i>Fadesa</i>		<i>-1 913</i>	<i>-1 913</i>		
Exchange gains/losses	-1 660					-1 660	
Other reserve capitals	265 963				8 337	274 300	
<i>of which:</i>		<i>KB DOM</i>		<i>8 627</i>	<i>8 627</i>		<i>-1 170</i>
		<i>Alterco</i>	<i>-290</i>		<i>-290</i>		
Retained profits/Uncovered losses	-21 126		-274 796	-19 805	-294 602	-315 728	
<i>of which:</i>							315 412
<i>Investments in associates measured with equity method</i>		<i>Adjustment of the value of shares in Fadesa due to the planned winding-up of the company</i>	<i>-95 400</i>	<i>-48 429</i>	<i>-143 829</i>		
<i>Share premium</i>				<i>1 913</i>	<i>1 913</i>		
<i>Trade and other receivables/Trade and other liabilities</i>		<i>FM BANK – damages. Adjustment of the revenue recognised previously</i>	<i>-14 050</i>		<i>-14 050</i>		
<i>Trade and other receivables</i>		<i>Slidelco and Faxfleet – receivables securing purchase of shares. Adjustment due to a drop in the share price of KB Dom</i>	<i>-7 697</i>		<i>-7 697</i>		<i>-394</i>
<i>Trade and other receivables</i>		<i>GTC – receivables. Receivables reclassified to contingent assets</i>	<i>-36 421</i>		<i>-36 421</i>		<i>-95</i>
<i>Trade and other receivables/Provisions</i>		<i>Receivables from the Tax Office. Receivables reclassified to contingent assets</i>	<i>-9 979</i>		<i>-9 979</i>		

Description [PLN '000]	CONSOLIDATED DATA restated in accordance with the consolidated method change – equity method – <u>Opening</u> balance before adjustments	Adjustment – description	Individual adjustment	Consolidation adjustment	Adjustments in total after consolidation	CONSOLIDATED DATA restated in accordance with the consolidated method change – equity method – <u>Opening</u> balance after adjustments	Adjustment – impact on the result in the individual financial statements of POLNORD and on the result in the consolidated financial statements of GK POLNORD
Investment real properties		Investment real properties. Łódź, Zgierska – value adjustment	-5 631		-5 631		
Investments in subsidiaries, co-subsidiaries and associates		Polnord Łódź City Park Sp. z o.o. – adjustment of the value of shares	-50 061	50 061			
Investments in subsidiaries, co-subsidiaries and associates		Polnord Sopot II Sp. z o.o. – adjustment of the value of shares	-25 177	25 177			
Provisions		Provision for interest. Court case in Germany (discontinued activities)	-1 600		-1 600		
Investments in subsidiaries, co-subsidiaries and associates		Adjustment of the value of shares in KB DOM to the market price		-8 627	-8 627		-1 170
Trade and other receivables		Irrecoverable deposits – GW branch in Germany (activities discontinued)	-956		-956		-1 284
Trade and other receivables		Indemnity for plots in Warsaw (10H). Receivables reclassified to contingent assets		-39 900	-39 900		
Inventories		Polnord Łódź City Park Sp. z o.o. – adjustment of the value of inventories	-26 892		-26 892		
Inventories		Polnord Szczecin Ku Słońcu Sp. z o.o. – adjustment of the value of inventories	-932		-932		

Specification [000'PLN]	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013	For the period from 01.01.2013 to 30.06.2013	For the period from 01.01.2013 to 30.06.2013	For the period from 01.01.2013 to 30.06.2013
		<i>published data</i>	<i>error adjustment</i>	<i>correction MPW</i>	<i>rectified data</i>
Sales revenue	62 174	76 903		(12 962)	63 941
Revenue from sales of products, goods and materials	53 421	70 047		(12 962)	57 085
from related parties					
Revenue from sale of services	829	1 244			1 244
from related parties	365	3			3
Lease revenue	7 924	5 612			5 612
from related parties	48	1			1
Prime cost of sale	(48 550)	(68 365)		11 381	(56 984)
Gross profit (loss) on sales	13 624	8 538		(1 581)	6 957
Revaluation of investment property	10 883	34 367	(6 952)		27 415
Selling costs	(3 202)	(4 027)		238	(3 789)
General administrative expenses	(11 228)	(13 192)		2 901	(10 291)
Other operating revenue	2 958	1 151		(473)	678
Other operating expenses	(2 189)	(7 878)		532	(7 346)
Gross operating profit (loss)	10 846	18 959	(6 952)	1 617	13 624
Financial revenue	2 126	6 524		861	7 385
Financial expenses	(13 973)	(21 463)	(7 697)	1 649	(27 511)
Share in profit of associated measured with equity method	5 443		(10 650)	(3 486)	(14 136)
Gross profit (loss)	4 442	4 020	(25 299)	641	(20 638)
Income tax	1 105	(2 562)	3 345	(641)	142
Net profit (loss) on continued operations	5 547	1 458	(21 954)		(20 496)
Net profit (loss) on discontinued operations	(1 555)	143	(1 600)		(1 457)
Net profit (loss) for the financial year	3 992	1 601	(23 554)		(21 953)

Specification [000'PLN]	As at 30.06.2014	As at	As at	As at	As at
		31.12.2013	31.12.2013	31.12.2013	31.12.2013
		<i>published data</i>	<i>error adjustment</i>	<i>correction MPW</i>	<i>rectified data</i>
ASSETS					
Fixed assets	1 143 549	1 366 075	(239 063)	30 529	1 157 541
Tangible fixed assets	1 460	13 442	(10 001)	(1 250)	2 191
Investment property	974 914	1 009 935	(6 952)	(3 038)	999 945
Intangible assets	544	701		(120)	581
Investments in associates measured with equity method	52 040	11 299	(135 039)	165 569	41 829
Financial assets	533	9 275	(9 148)		127
Deferred tax assets	10 481	65 086	(47 913)	(8 172)	9 001
Long-term receivables	103 556	133 855	(30 010)	1	103 846
Goodwill	21	122 482		(122 461)	21
Current assets	674 243	851 342	(109 117)	(134 353)	607 872
Inventories	472 158	584 587	(34 351)	(140 725)	409 511
Trade and other receivables	42 097	130 136	(69 870)	(8 336)	51 930
Other short-term financial assets	94 632	62 635		37 769	100 404
Receivables due to VAT, other taxes, customs duties, insurance and other	4 682	8 096	(1)	(9)	8 086
Income tax receivables	449	224		(213)	11
Prepayments and accrued income	4 737	9 875	(4 895)	(1 321)	3 659
Cash and cash equivalents	55 488	55 789		(21 518)	34 271
Assets classified as held for sale	10 001		10 001		10 001
TOTAL ASSETS	1 827 793	2 217 417	(338 179)	(103 824)	1 775 414

Specification [000'PLN]	As at 30.06.2014	As at 31.12.2013	As at 31.12.2013	As at 31.12.2013	As at 31.12.2013
		<i>published data</i>	<i>error adjustment</i>	<i>correction MPW</i>	<i>rectified data</i>
LIABILITIES					
Equity (attributable to shareholders of the parent)	1 085 579	1 370 110	(288 177)		1 081 933
Share capital	65 266	65 266			65 266
Share premium	1 059 755	1 061 668	(1 913)		1 059 755
Foreign exchange differences on translation of a foreign operation	(2 007)	(1 660)			(1 660)
Other reserve capitals	300 129	265 963	8 337		274 300
Retained profits/Uncovered losses	(337 565)	(21 127)	(294 601)		(315 728)
Total equity	1 085 579	1 370 110	(288 177)		1 081 933
Long-term liabilities	467 722	519 719	(54 992)	(35 328)	429 399
Interest-bearing bank loans and borrowings	463 648	456 101	(2 372)	(28 896)	424 833
Provisions	478	153			153
Other liabilities	3 596	1 900	3 000	(490)	4 410
Deferred income tax provision		61 562	(55 620)	(5 942)	
Prepayments and accrued income		3			3
Short-term liabilities	274 492	327 588	4 990	(68 496)	264 082
Trade and other liabilities	25 152	30 332	7 000	(3 828)	33 504
Current long-term portion of bank loans and borrowings	34 972	67 467		(981)	66 486
Short-term revolving loans					
Other short-term loans and borrowings	51 410	69 410	(2 524)	(25 095)	41 791
Liabilities due to VAT, other taxes, customs duties, insurance and other	1 462	5 843		(495)	5 348
Income tax liabilities		1		(1)	
Prepayments and accrued income	1 638	6 089		(4 113)	1 976
Advance payments received	98 542	78 609		(29 097)	49 512
Provisions	61 316	69 837	514	(4 886)	65 465
Total liabilities	742 214	847 307	(50 002)	(103 824)	693 481
TOTAL EQUITY AND LIABILITIES	1 827 793	2 217 417	(338 179)	(103 824)	1 775 414

7 IMPORTANT ACCOUNTING PRINCIPLES

The Group's financial year is the calendar year, i.e. the period from 1 January to 31 December.

The Parent Company's accounting books are maintained at the registered office of Polnord SA in Gdynia, at ul. Śląska 35/37.

The Group continues the accounting policies described in detail in Consolidated Annual Report for 2013, in section Consolidated Financial Statements, except for changes to the rules of consolidation describe below.

Due to the entry into force on 01.01.2014 of the new consolidation standards, in particular IFRS 11 eliminating the proportionate consolidation, the joint ventures of POLNORD SA, i.e. Fadesa Polnord Polska Sp. z o.o. together with its subsidiaries were consolidated as of the beginning of 2014 using the equity method. Therefore, from 2014, the proportional recognition of assets and liabilities of the jointly controlled entities in the consolidated balance sheet of the POLNORD SA Group was stopped while the recognition of the investments in the carrying value of net assets was introduced which was then adjusted due to permanent impairment. The figures for the corresponding periods were restated accordingly by using new consolidation standards retrospectively.

8 INFORMATION ON BUSINESS SEGMENTS

The basic model of classifying the Group's reporting is based on industry segments and the supplementary model is based on geographical segments.

The Group settles the transactions between the segments in the same way as for non-related entities, using the current market prices.

The tables below present the data on revenues and profits as well as some of the assets and liabilities of the Group's individual industry segments. An operating segment is a segment of the Group that is involved in a business which may generate revenues and incur expenses, such as revenues and expenses related to transactions with other segments of the Group. The operating result of each operating segment is regularly reviewed by the Group's main decision-making body for operating activities, which decides on the allocation of resources to a segment and evaluates the segment's business results. There is separate financial information about every segment.

The operating result of each segment which is reported to the Group's decision-making bodies for operating activities includes items which may be directly allocated to a given segment as well as items which may be allocated indirectly, based on reasonable grounds. Unallocated items mainly involve joint (corporate) assets (mainly related to the company's management), costs related to the company's registered office as well as income tax assets and liabilities.

The Group mainly operates in Poland. In the first half of 2014, no revenue on continued operations was generated outside Poland.

In the first half of 2014, no revenue on discontinued operations was generated outside Poland.

For the period from 01.01.2014 to 30.06.2014 or as at 30.06.2014	Continued operations						Discontinued operations	Total of operations		
	(Residential) Property development		Commercial projects	General construction	Other	Eliminations	Unallocated items		Total	Other
	POLNORD Group	FADESA Group								
Revenue										
Sales to external customers	51 352		7 672				(5 602)	53 422		53 422
Sales between segments	13				3 761	(16 494)	(13)	(12 733)		(12 733)
Total segment revenues	51 365		7 672		3 761	(16 494)	(5 615)	40 689		40 689
Result										
Gross profit (loss) on segment sales	1 794		6 776				5 054	13 624		13 624
Revaluation of investment property			(185)				11 068	10 883		10 883
General administrative costs and costs of sales	(13 329)		(911)		(1 795)		1 605	(14 430)	(151)	(14 581)
Other operational revenues and expenses			(99)				868	769	(1 322)	(553)
Profit (loss) on continued operations before tax and financial costs	(11 535)		5 581		(1 795)		18 595	10 846	(1 473)	9 373
Financial revenues due to interest							88	88	10	98
Other financial revenues							2 037	2 037		2 037
Financial costs			(4 326)		(10)		(9 637)	(13 973)	(92)	(14 065)
Share in profit of associated measured with equity method							5 443	5 443		5 443
Profit (loss) before tax and minority interest	(11 535)		1 255		(1 805)		16 526	4 442	(1 555)	2 887
Income tax			32		374		699	1 105		1 105
Net profit (loss) for the financial year	(11 535)		1 287		(1 431)		17 225	5 547	(1 555)	3 992

For the period from 01.01.2014 to 30.06.2014 or as at 30.06.2014	Continued operations							Discontinued operations	Total of operations	
	(Residential) Property development		Commercial projects	General construction	Other	Eliminations	Unallocated items	Total		Other
	POLNORD Group	FADESA Group								
Assets and liabilities										
Segment assets	483 094		229 782	63 763		1 050 455	1 827 094	699	1 827 793	
including cash	13 671		2 712	6		39 099	55 488		55 488	
Investments in associates measured with equity method										
Unallocated assets										
Total assets	483 094		229 782	63 763		1 050 455	1 827 094	699	1 827 793	
Segment liabilities and provisions	451 891		172 124	2 803			632 203	5 385	637 588	
including credit commitments	51 651		98 611			399 767	550 029		550 029	
Unallocated liabilities						110 012	110 012		110 012	
Equity						1 085 578	1 085 578		1 085 578	
Total liabilities and equity	451 891		172 124	2 803		1 195 590	1 822 408	5 385	1 827 793	

9 REVENUES AND EXPENSES

9.1 OPERATING REVENUES

Note 9.1 - Operating revenues	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013
Specification [000'PLN]		<i>transformed data</i>
Sale of residential apartments	51 160	57 085
Sale of plots of land	2 261	
Rent	7 924	5 612
Other	829	1 244
Total operating revenues	62 174	63 941

9.2 OPERATING EXPENSES

Note 9.2 - Operating expenses	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013
Specification [000'PLN]		<i>transformed data</i>
Depreciation/Amortisation	618	470
Consumption of materials and energy	814	860
Third-party services	56 708	44 246
Taxes and charges	2 798	1 837
Payroll	5 323	5 965
Social security and other benefits	867	926
Other costs by type	3 201	3 262
Total costs by type	70 329	57 566
Movement in products, prepayments and accruals	21 870	4 832
Own work capitalised (negative value)		
Selling costs (negative value)	(3 202)	(3 789)
General administrative expenses (negative value)	(11 228)	(10 291)
Manufacturing costs of products sold	34 029	38 654
Value of materials sold	14 521	18 330
Prime cost of sale	48 550	56 984
Inventory revaluation allowance		

9.3 REVALUATION OF INVESTMENT PROPERTY

In the first half of 2014, the Polnord SA Group performed a revaluation of its investment property. An increase in the fair value of investment properties by PLN 10,883 thousand in the Profit and loss account position - revaluation of its investment property. It is described in more detail in note 11.

9.4 OTHER OPERATING REVENUES

Note 9.4 - Other operating revenues	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013
Specification [000'PLN]		<i>transformed data</i>
Total release of provisions, including:	927	4
- for receivables		4
- other	927	
Other, including:	2 031	674
- liabilities written off		
- compensations for infrastructure	55	
- other	1 976	674
Total other operating revenues	2 958	678

9.5 OTHER OPERATING EXPENSES

Note 9.5 - Other operating expenses	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013
Specification [000'PLN]		<i>transformed data</i>
Total provisions established, including:	654	86
- revaluation of receivables		79
- other	654	7
Other, including:	1 535	7 260
- costs of disputes	132	130
- unrecoverable receivables		4
- other	1 403	7 126
Total other operating expenses	2 189	7 346

9.6 FINANCIAL REVENUES

Note 9.6 - Financial revenues	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013
Specification [000'PLN]		<i>transformed data</i>
Revenue from bank and commercial interest	88	2 793
Investment revenue	2 038	2 769
Positive FX differences		1 823
Other		
Total financial revenues	2 126	7 385

9.7 FINANCIAL COSTS

Note 9.7 - Financial costs	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013
Specification [000'PLN]		<i>transformed data</i>
Interest on bank loans, borrowings and bonds	12 950	18 602
Interest on other liabilities	52	31
Financial costs of finance lease agreements	2	9
Negative FX differences	335	
Bank commissions and commissions on bank guarantees	205	523
Amortised borrowings		
Other	429	8 346
Total financial expenses	13 973	27 511

10 EARNINGS PER STOCK

Basic earnings per stock are calculated by dividing net profit for the period, allocated to ordinary stockholders of the Parent Company, by the weighted average number of the issued ordinary stocks over the period.

In the period between 01.01.2014 and 30.06.2014 the share capital of Polnord SA was not increased.

As at 30.06.2014, the share capital of Polnord SA is divided into 32,633,027 ordinary bearer stocks with a nominal value of PLN 2 each.

Diluted earnings per stock are calculated by dividing net profit for the period, allocated to ordinary stockholders of the Parent Company (after deducting interest on redeemable preference stocks convertible to ordinary stocks) by the weighted average number of the issued ordinary stocks over the period (adjusted for dilutive options and dilutive redeemable preference stocks convertible to ordinary stocks).

In 2007 - 2012 the Company operated a Managerial Options Scheme (MOS), which is described in more detail in the financial statements for previous periods. On 31.12.2012 the above program expired.

On 20.12.2013, the Company started another program MOS described in detail in the Management Report for 2013 year.

Since 2009, convertible bonds issued between 2009 and 2012 by the Company have had a dilutive effect. As at 01.01.2013 the Company was not in convertible bond debt. In the 2013 and 2014, no new convertible bonds were issued.

The data on profit and stocks used for calculating earnings per stock is presented below:

Note 10.1 - Earnings per share - basic	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013
Specification [000'PLN]		<i>transformed data</i>
Net profit (loss) for the period	3 992	(21 953)
Net profit (loss) on discontinued operations for the period	(1 555)	(1 457)
Net profit (loss) on continued operations for the period	5 547	(20 496)
Average weighted number of ordinary shares for the period	32 633 027	25 633 027
Net earnings (losses) per ordinary share (PLN)	0,12	(0,86)
Net profit (loss) on discontinued operations, per ordinary share (PLN)	(0,05)	(0,06)
Net profit (loss) on continued operations, per ordinary share (PLN)	0,17	(0,80)

Note 10.2 - Earnings per share - diluted	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013
Specification [000'PLN]		<i>transformed data</i>
Net profit (loss) for the period	3 992	(21 953)
Net profit (loss) on discontinued operations for the period	(1 555)	(1 457)
Net profit (loss) on continued operations for the period	5 547	(20 496)
Interest on convertible bonds		
Net profit (loss) for the period used to calculate diluted earnings per share	3 992	(21 953)
Net profit (loss) on discontinued operations, for the period used to calculate diluted earnings per share	(1 555)	(1 457)
Net profit (loss) on continued operations, for the period used to calculate diluted earnings per share	5 547	(20 496)
Dilution effect:		
Share options	116 667	
Convertible bonds		
Average weighted diluted number of ordinary shares for the period	32 749 694	25 633 027
Net diluted earnings (losses) per ordinary share (PLN)	0,12	(0,86)
Net diluted profit (loss) on discontinued operations, per ordinary share (PLN)	(0,05)	(0,06)
Net diluted profit (loss) on continued operations, per ordinary share (PLN)	0,17	(0,80)

11 INVESTMENT PROPERTIES

As of 30.06.2014 the value of the investment property amounted to 974.914 thousand PLN and was 25.031 thousand PLN lower than that at the end of 2013. This decrease is mainly attributable to the reclassification of plot 2/101 sold by Polnord SA to Polnord Sopot II Sp. z o.o with a value of 53.008 thousand PLN, on the other hand, in the first half of 2014 the purchasing of investment properties totalled EUR 17.116 thousand PLN, and the revaluation of investment property to the amount of 10.883 thousand PLN

Note 11.1 - Investment property	As at 30.06.2014	As at 31.12.2013
Specification [000'PLN]		<i>transformed data</i>
Opening balance	999 945	944 630
Increases/decreases (sale, reclassification)	(35 914)	25 707
Impact of foreign exchange differences		(2 375)
Revaluation of investment property	10 883	31 983
Revaluation allowances		
Closing balance	974 914	999 945

Mortgages are established on some of the Company's investment property, securing the repayment of loans and bonds. The carrying value of investment property on which mortgages are established, as at the balance sheet date, amounts to PLN 919,498 thousand and as at 31.12.2013 amounts to PLN 859,218 thousand.

12 BUSINESS COMBINATIONS

Note 12 – Business combinations	In the period between 01.01.2014 and 30.06.2014	In the period between 01.01.2013 and 31.12.2013 <i>transformed data</i>
Consolidated goodwill:		
Carrying value of consolidated goodwill		
Polnord Łódź City Park Sp. z o.o.	3	3
Śródmieście Wilanów Sp. z o.o.	3	3
Wilanów Office Park - bldg B1 Sp. z o.o.	3	3
Polnord Apartamenty Sp. z o.o.	2	2
Wilanów Office Park - bldg B3 Sp. z o.o.	3	3
Polnord Szczecin Ku Słońcu Sp. z o.o.	3	3
Polnord Sopot II Sp. z o.o.	4	4
Total carrying value	21	21
Changes in consolidated goodwill:		
Consolidated goodwill at the beginning of the period	21	21
Decreases in goodwill due to allowances		
Decreases in goodwill due to sales		
Total carrying value as at the end of the period	21	21

Goodwill created as a result of acquisition of businesses was verified for impairment as at the balance sheet date 30.06.2014, and as at 31.12.2013.

Acquisition and sale of businesses

Changes that occurred in the first half of 2014 with regard to capital relations of Polnord SA with other entities are described in details in the Management Report in Chapter I point 7.

13 SHARE IN JOINT VENTURES

POLNORD SA's jointly-controlled entities:

- FADESA POLNORD POLSKA Sp. z o.o.,
- FPP Powsin Sp. z o.o.,
- Osiedle Innova Sp. z o.o.,
- FPP OSIEDLE MODERNO Sp. z o.o.,
- Stacja Kazimierz I Sp. z o.o.,
- Stacja Kazimierz I Sp. z o.o. SKA,
- Stacja Kazimierz Sp. z o.o.,
- Stacja Kazimierz Sp. z o.o. SKA,
- Semeko Aquasfera Sp. z o.o.
- Korporacja Budowlana DOM SA - entities in which the Group has significant influence.

As at 30.06.2014 and 31.12.2013, the Group's share in the assets and liabilities of joint ventures, as recognized in the consolidated financial statements using the proportionate method or with equity method, was as follows:

Note 13.1 – Share in joint ventures	As at 30.06.2014	As at 31.12.2013
Specification [000'PLN]		<i>transformedd data</i>
Current (short-term) assets	181 583	222 863
<i>Fadesa Polnord Polska Sp. z o.o.</i>	83 755	137 118
<i>FPP Powsin Sp. z o.o.</i>	35 563	34 797
<i>Osiedle Innova Sp. z o.o.</i>	35 537	35 107
<i>FPP Osiedle Moderno Sp. z o.o.</i>	3 507	34
<i>Stacja Kazimierz I Sp. z o.o.</i>	355	39
<i>Stacja Kazimierz I Sp. z o.o. SKA</i>	19	22
<i>Stacja Kazimierz Sp. z o.o.</i>	27	58
<i>Stacja Kazimierz Sp. z o.o. SKA</i>	5 328	
<i>Semeko Aquasfera Sp. z o.o.</i>	17 492	15 688
Non-current (long-term) assets	49 022	53 175
<i>Fadesa Polnord Polska Sp. z o.o.</i>	47 745	47 971
<i>FPP Powsin Sp. z o.o.</i>	247	212
<i>Osiedle Innova Sp. z o.o.</i>	967	4 987
<i>FPP Osiedle Moderno Sp. z o.o.</i>	61	5
<i>Stacja Kazimierz I Sp. z o.o.</i>	1	
<i>Stacja Kazimierz I Sp. z o.o. SKA</i>		
<i>Stacja Kazimierz Sp. z o.o.</i>	1	
<i>Stacja Kazimierz Sp. z o.o. SKA</i>		
<i>Semeko Aquasfera Sp. z o.o.</i>		
Total	230 605	276 038
	62 283	92 935
<i>Fadesa Polnord Polska Sp. z o.o.</i>	33 006	65 739
<i>FPP Powsin Sp. z o.o.</i>	8 191	8 339
<i>Osiedle Innova Sp. z o.o.</i>	14 416	18 825
<i>FPP Osiedle Moderno Sp. z o.o.</i>	510	8
<i>Stacja Kazimierz I Sp. z o.o.</i>	2	3
<i>Stacja Kazimierz I Sp. z o.o. SKA</i>	2	2
<i>Stacja Kazimierz Sp. z o.o.</i>	1	21
<i>Stacja Kazimierz Sp. z o.o. SKA</i>	175	
<i>Semeko Aquasfera Sp. z o.o.</i>	5 981	4 520
	85 208	114 397
<i>Fadesa Polnord Polska Sp. z o.o.</i>	46 426	74 465
<i>FPP Powsin Sp. z o.o.</i>	26 397	25 308
<i>Osiedle Innova Sp. z o.o.</i>	10 230	9 924
<i>FPP Osiedle Moderno Sp. z o.o.</i>	1 784	49
<i>Stacja Kazimierz I Sp. z o.o.</i>	203	51
<i>Stacja Kazimierz I Sp. z o.o. SKA</i>		
<i>Stacja Kazimierz Sp. z o.o.</i>	41	40
<i>Stacja Kazimierz Sp. z o.o. SKA</i>	127	
<i>Semeko Aquasfera Sp. z o.o.</i>		0
Total	147 491	207 332

Note 13.2 - Share in joint ventures	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013 <i>transformed data</i>
Specification [000'PLN]		
Revenue	66 859	12 961
Fadesa Polnord Polska Sp. z o.o.	58 928	11 320
FPP Powsin Sp. z o.o.		
Osiedle Innova Sp. z o.o.	3 835	1 641
Stacja Kazimierz I Sp. z o.o.		
Stacja Kazimierz I Sp. z o.o. SKA		
Stacja Kazimierz Sp. z o.o.		
Stacja Kazimierz Sp. z o.o. SKA		
Semeko Aquasfera Sp. z o.o.	4 096	
Prime cost of sale	(50 161)	(11 419)
Fadesa Polnord Polska Sp. z o.o.	(47 100)	(10 735)
FPP Powsin Sp. z o.o.	(6)	
Osiedle Innova Sp. z o.o.	(2 966)	(684)
FPP Osiedle Moderno Sp. z o.o.	(88)	
Stacja Kazimierz I Sp. z o.o.		
Stacja Kazimierz I Sp. z o.o. SKA		
Stacja Kazimierz Sp. z o.o.		
Stacja Kazimierz Sp. z o.o. SKA		
Semeko Aquasfera Sp. z o.o.		
Costs of sales and general administrative expenses	(7 387)	(3 592)
Fadesa Polnord Polska Sp. z o.o.	(2 712)	(2 559)
FPP Powsin Sp. z o.o.	(25)	(33)
Osiedle Innova Sp. z o.o.	(803)	(993)
FPP Osiedle Moderno Sp. z o.o.	(91)	(7)
Stacja Kazimierz I Sp. z o.o.	(11)	
Stacja Kazimierz I Sp. z o.o. SKA	(25)	
Stacja Kazimierz Sp. z o.o.	(10)	
Stacja Kazimierz Sp. z o.o. SKA	(39)	
Semeko Aquasfera Sp. z o.o.	(3 672)	
Revaluation of investment property		
Fadesa Polnord Polska Sp. z o.o.		
FPP Powsin Sp. z o.o.		
Osiedle Innova Sp. z o.o.		
Stacja Kazimierz I Sp. z o.o.		
Stacja Kazimierz I Sp. z o.o. SKA		
Stacja Kazimierz Sp. z o.o.		
Stacja Kazimierz Sp. z o.o. SKA		
Semeko Aquasfera Sp. z o.o.		
Other operating revenues and expenses	(74)	814
Fadesa Polnord Polska Sp. z o.o.	(90)	372
FPP Powsin Sp. z o.o.		87
Osiedle Innova Sp. z o.o.	14	355
FPP Osiedle Moderno Sp. z o.o.	1	
Stacja Kazimierz I Sp. z o.o.		
Stacja Kazimierz I Sp. z o.o. SKA		
Stacja Kazimierz Sp. z o.o.		
Stacja Kazimierz Sp. z o.o. SKA		
Semeko Aquasfera Sp. z o.o.		
Financial revenues and costs	(90)	(596)
Fadesa Polnord Polska Sp. z o.o.	96	(1 319)
FPP Powsin Sp. z o.o.	(141)	75
Osiedle Innova Sp. z o.o.	0	648
FPP Osiedle Moderno Sp. z o.o.	(41)	
Stacja Kazimierz I Sp. z o.o.	(2)	
Stacja Kazimierz I Sp. z o.o. SKA	(2)	
Stacja Kazimierz Sp. z o.o.	(1)	
Stacja Kazimierz Sp. z o.o. SKA	(2)	
Semeko Aquasfera Sp. z o.o.	3	
Profit/(loss) before tax	7 702	(12 482)
Fadesa Polnord Polska Sp. z o.o.	9 122	(2 921)
FPP Powsin Sp. z o.o.	(172)	129
Osiedle Innova Sp. z o.o.	79	967
FPP Osiedle Moderno Sp. z o.o.	(219)	(7)
Stacja Kazimierz I Sp. z o.o.	(13)	
Stacja Kazimierz I Sp. z o.o. SKA	(27)	
Stacja Kazimierz Sp. z o.o.	(11)	

Stacja Kazimierz Sp. z o.o.SKA	(41)	
Semeko Aquasfera Sp. z o.o.	427	
Korporacja Budowlana Dom SA	(1 444)	(10 650)
Income tax burden	(1 689)	2 665
Fadesa Polnord Polska Sp. z o.o.	(1 938)	434
FPP Powsin Sp. z o.o.	33	77
Osiedle Innova Sp. z o.o.	(15)	129
FPP Osiedle Moderno Sp. z o.o.	42	1
Stacja Kazimierz I Sp. z o.o.		
Stacja Kazimierz I Sp. z o.o. SKA		
Stacja Kazimierz Sp. z o.o.		
Stacja Kazimierz Sp. z o.o.SKA		
Semeko Aquasfera Sp. z o.o.	(84)	
Korporacja Budowlana Dom SA	274	2 024
Net profit / (loss)	6 013	(9 817)

14 FINANCIAL ASSETS AVAILABLE FOR SALE

Note 14.1 – Financial assets available for sale	As at 30.06.2014	As at 31.12.2013
Specification [000'PLN]		<i>transformed data</i>
Shares/interests in unlisted companies	34	34
Shares of listed companies		
Other		
Total financial assets available for sale	34	34

Note 14.2 – Other (long-term) financial assets	As at 30.06.2014	As at 31.12.2013
Specification [000'PLN]		<i>transformed data</i>
Borrowings granted	499	93
Other		
Total other (long-term) financial assets	499	93

15 INVENTORY

Note 15.1 – Inventory	As at 30.06.2014	As at 31.12.2013
Specification [000'PLN]		<i>transformed data</i>
Materials (according to the purchase price)	206	210
Work in progress (according to the manufacturing cost)	130 147	76 440
Finished products:	55 681	88 027
<i>According to the purchase price/manufacturing cost</i>	<i>56 860</i>	<i>91 418</i>
<i>According to the net realisable value</i>	<i>55 681</i>	<i>88 027</i>
Goods	286 124	244 834
<i>According to the purchase price/manufacturing cost</i>	<i>310 013</i>	<i>271 509</i>
<i>According to the net realisable value</i>	<i>286 123</i>	<i>244 834</i>
Total inventory, at the lower of the two values: purchase (price manufacturing cost) and net realisable value	472 158	409 511

In the first half of 2014 there were no write-downs of inventories in any of the companies of the Group. In Polnord Sopot II Sp. z o.o. inventory write-downs totalled 4,100 thousand PLN, and in Polnord Łódź City Park Sp. z o.o. to the amount of 313 thousand PLN. In addition, in relation to the comprehensive review of the reports, including the value of inventory, provisions for impairment were made on Polnord Szczecin Ku Słońcu Sp. z o.o. and Polnord Łódź City Park Sp. z o.o. to the total amount of PLN 34.350 thousand.

The loans obtained by the Group's Companies for the financing of the development projects are secured with mortgage on properties on which these projects are being implemented. The balance of inventories encumbered by secured loans totals PLN 249,918 thousand. On 31.12.2013 it totaled PLN 214,923 thousand.

16 TRADE AND OTHER RECEIVABLES

Transactions with related parties are concluded according to market terms.

In the opinion of the management, there is no additional credit risk above the level defined by the allowance for unrecoverable trade receivables of the Group.

Note 16.1- Trade and other receivables	As at 30.06.2014	As at 31.12.2013
Specification [000'PLN]		<i>transformed data</i>
Receivables from related parties, including:	926	1 831
- Trade receivables	926	1 831
- Disputed in court		
- Other		
Receivables from associates		
Receivables from other entities, including:	41 171	50 099
- Trade receivables	34 025	24 612
- Disputed in court		
- Other	7 146	25 487
Budget receivables		
Total (net) receivables	42 097	51 930
Receivables revaluation allowance	13 890	12 353
Gross receivables	55 987	64 283

17 SHARE CAPITAL AND SUPPLEMENTARY/RESERVE CAPITAL

17.1 SHARE CAPITAL

In the period between 01.01.2014 and 30.06.2014 the share capital of Polnord SA was not increased.

As at 30.06.2014 the share capital of Polnord SA is divided into 32.633.027 ordinary bearer stocks with a nominal value of PLN 2 each.

Nominal value of stocks

All issued stocks have a nominal value of PLN 2 and have been fully paid-up.

Stockholders' rights

The stocks of all series are vested with identical privilege to dividend and return on capital.

17.2 SUPPLEMENTARY CAPITAL

Supplementary capital was created from the share premium, less the stock issue costs recognised as a decrease in supplementary capital. In addition, supplementary capital was also created from the statutory allowances for profit generated in previous financial years as well as from surplus from the distribution of profit in excess of the statutory allowance. Supplementary capital also comprises the measurement of a foreign operation and the revaluation fund for the sold PP&E.

In the balance sheet, the share premium has been disclosed in a separate item.

17.3 TYPE AND PURPOSE OF OTHER CAPITAL

Reserve capital due to foreign exchange differences

The balance of the reserve capital due to FX differences is adjusted for FX differences resulting from translation of financial statements of foreign related parties.

Revaluation reserve

The balance of the revaluation reserve relates to the surplus in excess of the purchase value/manufacturing cost of PP&E and intangible assets resulting from restatement to their fair value and to valuation of financial assets available for sale.

Note 17.3 - Other capital	Revaluation reserve	Supplementary capital	Other reserve capitals	Total
Specification [000'PLN]				
As at 01.01.2013	269	198 641	29 889	228 799
Result carried forward from previous period		45 557		45 557
Error adjustment			8 337	8 337
As at 30.06.2013	269	244 198	38 226	282 693
Other net comprehensive income:	(290)		(8 337)	(8 627)
Valuation of financial assets available for sale	(357)		(10 294)	(10 651)
Deferred tax due to above-mentioned adjustments	67		1 957	2 024
Other			234	234
Managerial options			234	234
As at 31.12.2013	(21)	244 198	30 123	274 300
As at 01.01.2014	(21)	244 198	30 123	274 300
Other net comprehensive income:				
Valuation of financial assets available for sale				
Deferred tax due to above-mentioned adjustments				
Other		25 829		25 829
Result brought forward		25 829		25 829
Managerial options				
As at 30.06.2014	(21)	270 027	30 123	300 129

18 INTEREST-BEARING BANK LOANS AND BORROWINGS

Note 18 – Interest-bearing bank loans and borrowings

SHORT-TERM	As at 30.06.2014	As at 31.12.2013
Liabilities due to finance lease and leasehold agreements with purchase option	18	48
Bonds and debt bills	51 392	17 912
Overdrafts		23 831
Short-term portion of long-term loans	34 972	66 486
Revolving loans		
Other loans and borrowings		
Total short-term loans and borrowings	86 382	108 277
LONG-TERM	As at 30.06.2014	As at 31.12.2013
Liabilities due to finance lease and leasehold agreements with purchase option		
Bonds	311 358	291 126
Bank loans and borrowings:	152 290	133 707
Total long-term loans and borrowings	463 648	424 833

List of loans as at 30.06.2014

List of loans as at 30.06.2014							
Lending institution	Currency loan amount	Currency	Outstanding amount as at the balance sheet date	Current (short-term) portion of loans/borrowings	Interest rate	Maturity	Securities
GETIN NOBLE BANK SA*	37 000	PLN	37 000	2 000	WIBOR 3M + marage	2016-12-20	- mortgage - sola blank bill of exchange - surety
	91 972	PLN	22 594	22 594	WIBOR 3M + marage	2015-06-30	- contractual and capped mortgage on property - debt collection clause - registered pledge on capital share - transfer of amounts due under sale and insurance agreements
PKO BP	66 100	PLN	62 847		WIBOR 3M + marage	2030-12-31	- contractual and capped mortgage - assignment of rights under insurance agreements - registered pledge on capital share - transfer of outstanding amounts under rent agreements - surety - assignment of rights under guarantee - bill of exchange
	47 433	PLN	35 764	2 135	WIBOR 3M + marage	2025-04-30	- ordinary contractual and capped mortgage on property - transfer of outstanding amounts under construction site insurance agreement - sola blank bill of exchange and aval from a shareholder - registered pledge on the company's interests - clause for deducting outstanding amounts from the company's current account - transfer of outstanding amounts under a promised rent agreement - cash blocked on a bank account
	13 247	PLN	12 857	6 623	WIBOR 3M+marage	2015-09-30	- mortgage - surety - assignment of insurance policies
Bank Polskiej Spółdzielczości SA	16 200	PLN	16 200	1 620	WIBOR 3M+marage	2019-12-31	- mortgage - registered pledge on capital share - surety - bill of exchange
Alior Bank SA	12 000	PLN			WIBOR 3M + marage	31.12.2015	- mortgage - transfer of funds from the insurance contract - registered pledge
Total			187 262	34 972			

* loans raised by Polnord SA

List of bonds as at 30.06.2014

List of bonds as at 30.06.2014							
Type of bonds	Amount of the issued bonds	Currency	Outstanding amount as at the balance sheet date	Current (short-term) outstanding portion (interest)	Interest rate	Maturity	Securities
Ordinary bonds, series F	24 000	PLN	24 334	334	WIBOR 3M + margin	24.10.2015 – principal amount, interest every quarter	Mortgage
Ordinary bonds	30 000	PLN	30 022	30 022	WIBOR 6M + margin	26.06.2015 - principal amount, interest every six months	Mortgage
Ordinary bonds	10 000	PLN	10 007	10 007	WIBOR 6M + margin	26.06.2015 - principal amount, interest every six months	Mortgage
Ordinary bonds	10 000	PLN	10 007	10 007	WIBOR 6M + margin	26.06.2015 - principal amount, interest every six months	Mortgage
Ordinary bonds	39 500	PLN	37 190	693	WIBOR 6M + margin	28.09.2015 - principal amount, interest every six months	Mortgage
Ordinary bonds, series A	60 000	PLN	61 236	1 236	WIBOR 6M + margin	20.08.2016 - principal amount, interest every six months	Mortgage
Ordinary bonds, series B	8 500	PLN	8 637	137	WIBOR 6M + margin	21.09.2016 - principal amount, interest every six months	Mortgage
Ordinary bonds, series I	20 000	PLN	20 303	303	WIBOR 3M + margin	18.01.2016 - principal amount, interest every quarter	Mortgage
Ordinary bonds, series J	19 000	PLN	19 295	295	WIBOR 3M + margin	16.01.2016 - principal amount, interest every quarter	Mortgage
Ordinary bonds, series H	26 500	PLN	26 879	379	WIBOR 3M + margin	22.01.2016 - principal amount, interest every quarter	Mortgage
Ordinary bonds, series C	36 000	PLN	36 367	367	WIBOR 6M + margin	13.05.2016 - principal amount, interest every six months	Mortgage
Ordinary bonds NS1	50 000	PLN	50 484	484	WIBOR 3M + margin	11.02.2017 - principal amount, interest every quarter	Mortgage
Ordinary bonds	13 450	PLN	13 497	47	WIBOR 6M + margin	10.06.2016 - principal amount, interest every six months	Mortgage
Ordinary bonds	19 950	PLN	20 023	73	WIBOR 6M + margin	12.06.2017 - principal amount, interest every six months	Mortgage
Deferred costs		PLN	(5 531)	(2 992)			
Total			362 750	51 392			

List of loans as at 31.12.2013

List of long-terms loans and borrowings as at 31.12.2013

Lending institution	Currency loan amount	Currency	Outstanding amount as at the balance sheet date	Current (short-term) portion of loans/borrowings	Interest rate	Maturity	Securities
DZ Bank Polska S.A*	23 000	PLN	5 062	5 062	WIBOR RB + marage	2014-05-31	- contractual mortgage on property - sola blank bill of exchange
	34 000	PLN	19 000	19 000	WIBOR 1M + marage	2014-05-31	- contractual mortgage on property - sola blank bill of exchange
BZ WBK S.A.	42 447	PLN	8 089		WIBOR 3M + marage	2015-01-31	- capped mortgage - funds blocked on an escrow account - registered pledge on capital share - registered pledges on bank accounts - authorisation to bank accounts - Agreement for the Subordination of Borrowings
	44 800	PLN	6 327	562	WIBOR 3M + marage	2016-12-31	- contractual and capped mortgage on property - sola blank bill of exchange - debt collection clause - registered pledge on capital share
	91 972	PLN	27 994	27 994	WIBOR 3M + marage	2014-11-30	-contractual and capped mortgage on property - debt collection clause - registered pledge on capital share - transfer of amounts due under sale and insurance agreements
PKO BP	66 100	PLN	62 848		WIBOR 3M + marage	2030-12-31	- contractual and capped mortgage - assignment of rights under insurance agreements - registered pledge on capital share - transfer of outstanding amounts under rent agreements - surety - assignment of rights under guarantee - bill of exchange
	47 433	PLN	36 095	1 326	WIBOR 3M + marage	2025-04-30	- ordinary contractual and capped mortgage on property - transfer of outstanding amounts under construction site insurance agreement - sola blank bill of exchange and aval from a shareholder - registered pledge on the company's interests - clause for deducting outstanding amounts from the company's current account - transfer of outstanding amounts under a promised rent agreement - cash blocked on a bank account
	13 247	PLN	12 958	6 522	WIBOR 3M+marage	2015-09-30	- mortgage - surety - assignment of insurance policies

Bank Polskiej Spółdzielczości SA	16 200	PLN	16 200	400	WIBOR 3M+marage	2019-12-31	- mortgage - registered pledge on capital share - surety - bill of exchange
ALIOR BANK	17 978	PLN	5 620	5 620	WIBOR 1M+marage	2014-09-30	-mortgage - transfer of debts - surety - assignment of insurance policies
Total			200 193	66 486			

* loans raised by Polnord SA

List of overdraft facilities as at 31.12.2013

List of overdraft facilities as at 31.12.2013							
Lending institution	Currency loan/borrowing amount	Currency	Amount of borrowing/loan	Outstanding amount as at the balance sheet date	Interest rate	Maturity	Securities
BRE BANK SA *	25 000	PLN	25 000	23 831	WIBOR O/N +marage	2014-06-27	- contractual mortgage on property - sola blank bill of exchange
Total			25 000	23 831			

* loans raised by Polnord SA

List of bonds as at 31.12.2013

List of bonds as at 31.12.2013							
Type of bonds	Amount of the issued bonds	Currency	Outstanding amount as at the balance sheet date	Current (short-term) outstanding portion (interest)	Interest rate	Maturity	Securities
Obligacje zwykłe serii F	24 000	PLN	24 331	331	WIBOR 3M + marage	24.10.2015 - principal amount, interest every quarter	Mortgage
Ordinary bonds	30 000	PLN	30 028	28	WIBOR 6M + marage	26.06.2015 - principal amount, interest every six months	Mortgage
Ordinary bonds	16 516	PLN	16 522	16 522	WIBOR 3M + marage	31.03.2014 - principal amount, interest every quarter	Unsecured bonds
Ordinary bonds	10 000	PLN	10 009	9	WIBOR 6M + marage	26.06.2015 principal amount, interest every six months	Mortgage
Ordinary bonds	10 000	PLN	10 009	9	WIBOR 6M + marage	26.06.2015 - principal amount, interest every six months	Mortgage
Ordinary bonds	39 500	PLN	40 189	689	WIBOR 6M + marage	28.09.2015 - principal amount, interest every six months	Mortgage
Ordinary bonds, series A	60 000	PLN	61 260	1 260	WIBOR 6M + marage	20.08.2016 - principal amount, interest every six months	Mortgage
Ordinary bonds, series B	8 500	PLN	8 636	136	WIBOR 6M + marage	21.09.2016 - principal amount, interest every six months	Mortgage
Ordinary bonds, series I	20 000	PLN	20 305	305	WIBOR 3M + marage	18.01.2016 principal amount, interest every quarter	Mortgage
Ordinary bonds, series J	19 000	PLN	19 298	298	WIBOR 3M + marage	16.01.2016 - principal amount, interest every quarter	Mortgage
Ordinary bonds, series H	26 500	PLN	26 882	382	WIBOR 3M + marage	22.01.2016 - principal amount, interest every quarter	Mortgage
Ordinary bonds, series C	46 000	PLN	46 466	466	WIBOR 6M + marage	13.05.2016 - principal amount, interest every six months	Mortgage
Deferred costs		PLN	(4 898)	(2 523)			
Total			309 037	17 912			

19 PROVISIONS

Note 19.1 - Provisions	Provision for retirement gratuities and similar benefits	Provisions for construction works	Provisions for interest	Provisions for liabilities	Provisions for court proceedings	Total
Specification [000'PLN]						
As at 01.01.2014	153	2 507	15 063	41 399	6 495	65 617
Established during the financial year				656		656
Used				(718)	(2 106)	(2 824)
Released		(738)		(486)	(438)	(1 662)
Presentation adjustment			(282)	1 248	(959)	7
As at 30.06.2014	153	1 769	14 781	42 099	2 992	61 794
Short-term		1 769	14 781	41 774	2 992	61 316
Long-term	153			325		478

Note 19.2 - Provisions	Provision for retirement gratuities and similar benefits	Provisions for construction works	Provisions for interest	Provisions for liabilities	Provisions for court proceedings	Total
Specification [000'PLN]						
As at 01.01.2013 (transformed data)	196	873	13 860	38 345	6 247	59 521
Established during the financial year	5	2 995	722	1 643	2 650	8 015
Used		(1 361)		(15)	(445)	(1 821)
Released	(48)			(564)		(612)
Presentation adjustment			482	1 990	(1 957)	515
As at 31.12.2013 (transformed data)	153	2 507	15 064	41 399	6 495	65 618
Short-term		2 507	15 064	41 399	6 495	65 465
Long-term	153					153

20 TRADE AND OTHER (SHORT-TERM) LIABILITIES

Note 20.1 – Trade and other (short-term) liabilities	As at 30.06.2014	As at 31.12.2013
Specification [000'PLN]		<i>transformed data</i>
Trade liabilities		
Due to related parties		1 260
Due to other parties	12 506	24 923
Total trade liabilities	12 506	26 183
Liabilities due to taxes, custom duties, social security and other		
VAT	974	5 044
Personal income tax	156	123
Other	332	181
Total liabilities due to taxes, custom duties, social security and other	1 462	5 348
Other financial liabilities		
An advance on the sale of financial assets		
Total		
Other liabilities		
Liabilities due to employee remunerations	505	181
Liabilities due to related parties	5 041	25
Liabilities due to employee remunerations		
Other liabilities	7 100	115
Total other liabilities	12 646	321
Accruals due to:		
Unused holidays		
Bonus payments		
Other	1 638	1 976
Total accruals	1 638	1 976

Rules and terms of payment of the above financial liabilities

Transactions with related parties are concluded according to market terms.

Trade and other liabilities do not bear interest.

The difference between liabilities and receivables due to the goods and services tax is settled with the competent tax authorities on a monthly basis.

21 CONTINGENT LIABILITIES AND ASSETS

Note 21.1 - Other contingent liabilities and assets	As at 30.06.2014	As at 31.12.2013
Specification [000'PLN]		<i>transformed data</i>
Contingent liabilities		
Total contingent liabilities		
Contingent assets		
Claims related to the infrastructure	182 227	182 227
Tort claims from the Capital City of Warsaw	123 036	123 036
	46 400	46 400
Total contingent assets	351 663	351 663

Polnord provides Group companies with guarantees securing the repayment of credit obligations related to financing development projects. However, due to the low likelihood of the outflow of funds from the Companies in relation to such guarantees being called, in line with IAS 37, the Company does not post conditional obligations under off-balance sheet items.

22 INVESTMENT LIABILITIES

As at 30.06.2014, there are no investment liabilities in the Group.

23 COURT PROCEEDINGS

Court proceedings are described in details in Directors' Report, Chapter IV (4).

24 GUARANTEES

Information about loans/guarantees and guarantees are described in details in Directors' Report, Chapter IV (6).

25 INFORMATION ABOUT RELATED PARTIES

25.1 TERMS OF TRANSACTIONS WITH RELATED PARTIES

The tables below present the total amounts of transactions concluded with related parties for the respective reporting periods. These items have been adequately eliminated in the consolidation process.

Transactions with related parties are concluded according to market terms.

Receivables/liabilities of the Polnord Group as at 30.06.2014

POLNORD SA / Related party	POLNORD MARKETING Sp. z o.o.	STROI DOM ZSA	POLNORD – APARTAMENTY Sp. z o.o	POLNORD OLSZTYN TĘCZOWY LAS Sp. z o.o.	Polnord Łódź City Park Sp. Z o.o.	Śródmieście Wilanów Sp. z o.o..	Wilanów Office Park - budynek B1 Sp. z o.o	Wilanów Office Park - budynek B3 Sp. z o.o	POLNORD Warszawa - Żąbki Neptun Sp. z o.o	SURPLUS Sp. z o.o. SKA
1. Long-term investments – borrowings granted										
2. Long-term receivables					12 467			3 376		
3. Short-term receivables	38	-	735	768	143	1 807	389	1 818	826	182
<i>a) trade</i>	38		735	768	143	1 807	389	1 818	826	182
<i>b) other</i>										
4. Short-term investments-borrowings		5 057								
Total receivables and investments – assets	38	5 057	735	768	12 610	1 807	389	5 194	826	182
5. Long-term liabilities	-	-	-	-	-	-	-	-	-	-
<i>a) borrowings</i>										
<i>b) other</i>										
6. Short-term liabilities	11 693	-	2 571	3	3	-	-	-	-	-
<i>a) trade</i>	11 693		2 571	3	3					
<i>b) borrowings</i>										
Total liabilities	11 693	-	2 571	3	3	-	-	-	-	-

Receivables/liabilities of the Polnord Group as at 30.06.2014 cont.

POLNORD SA / Related party	SURPLUS Sp. Z o.o.	POLNORD SZCZECIN Ku Stońcu Sp. Zo.o.	POLNORD SOPOT II Sp. z o.o.	Polnord Gdańsk Dwa Tarasy Sp. z o.o.	Surplus Sp. z o.o. DOMITUS SKA	10H Sp. z o.o.	Polnord Gdynia Brama Sopotcka Sp. Zo.o.	TOTAL
1. Long-term investments – borrowings granted								-
2. Long-term receivables		7 072						22 915
3. Short-term receivables	38	765	30 876	2 081	24	53	62	40 605
<i>a) trade</i>	38	765	30 876	2 081	24	53	62	40 605
<i>b) other</i>								-
4. Short-term investments-borrowings								5 057
Total receivables and investments – assets	38	7 837	30 876	2 081	24	53	62	68 577
5. Long-term liabilities	-	-	-	-	-	-	-	-
<i>a) borrowings</i>								-
<i>b) other</i>								-
6. Short-term liabilities	-	-	-	-	3 053	-	-	17 323
<i>a) trade</i>								14 270
<i>b) borrowings</i>					3 053			3 053
Total liabilities	-	-	-	-	3 053	-	-	17 323

Sale/purchase transactions between the entities of the Polnord Group in the 1st half of 2014

List of mutual receivables and liabilities Polnord SA Group as at 30.06.2014

POLNORD SA / Related party	POLNORD MARKETING Sp. z o.o.	STROI DOM ZSA	POLNORD – APARTAMENTY Sp. z o.o	POLNORD OLSZTYN TĘCZOWY LAS Sp. z o.o.	Polnord Łódź City Park Sp. Z o.o.	Śródmieście Wilanów Sp. z o.o..	Wilanów Office Park - budynek B1 Sp. z o.o	Wilanów Office Park - budynek B3 Sp. z o.o	POLNORD Warszawa - Żąbki Neptun Sp. z o.o	SURPLUS Sp. z o.o. SKA
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Revenue from mutual transactions Polnord SA Group for the period from 01.01.2014 to 30.06.2014

Related party

1. Sale	72	-	1 410	1 303	267	4 587	211	324	1 005	98
<i>a) products</i>										
<i>b) services</i>	60		1 405	1 298	266	4 586	211	324	1 003	93
<i>c) rent</i>	12		5	5	1	1			2	5
2. Revenue from sale of goods and materials										
3. Other operating revenues										
4. Sale of PP&E										
5. Financial revenues		123								
Total	72	123	1 410	1 303	267	4 587	211	324	1 005	98

Sale/purchase transactions between the entities of the Polnord Group in the 1st half of 2014 cont.

List of mutual receivables and liabilities Polnord SA Group as
at 30.06.2014

POLNORD SA / Related party	SURPLUS Sp. Z o.o.	POLNORD SZCZECIN Ku Stońcu Sp. Zo.o.	POLNORD SOPOT II Sp. z o.o.	Polnord Gdańsk Dwa Tarasy Sp. z o.o.	Surplus Sp. z o.o. DOMITUS SKA	10H Sp. z o.o.	Polnord Gdynia Brama Sopotcka Sp. Zo.o.	TOTAL
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Revenue from mutual transactions Polnord SA Group for the
period from 01.01.2014 to 30.06.2014

Related party								TOTAL
1. Sale	20	1 402	493	1 464	19	20	98	12 793
<i>a) products</i>								-
<i>b) services</i>	15	1 402	488	1 459	14	15	93	12 732
<i>c) rent</i>	5		5	5	5	5	5	61
2. Revenue from sale of goods and materials								-
3. Other operating revenues								-
4. Sale of PP&E								-
5. Financial revenues								123
Total	20	1 402	493	1 464	19	20	98	12 916

List of mutual receivables and liabilities Polnord SA Group as at 30.06.2014

Podmiot powiązany	SURPLUS SKA	W ILANÓW OFFICE PARK BUDYNEK B3	POLNORD SOPOT II	POLNORD MARKETING	POLNORD Warszawa - Ząbki Neptun Sp. z o.o	POLNORD APARTAMENTY	Total
10H	1. Long-term investments – borrowings granted						
	2. Long-term receivables	69 950					69 950
	3. Short-term receivables	-					
	a) trade						
	b) other						
4. Short-term investments-borrowings							
Total receivables and investments – assets	69 950						69 950
POLNORD APARTAMENTY	1. Long-term investments – borrowings granted						
	2. Long-term receivables						
	3. Short-term receivables			1			1
	a) trade			1			1
	b) other						
4. Short-term investments-borrowings							
Total receivables and investments – assets			1				1
POLNORD Warszawa - Ząbki Neptun Sp. z o.o	1. Long-term investments – borrowings granted						
	2. Long-term receivables						
	3. Short-term receivables		16				16
	a) trade		16		53		69
	b) other						
4. Short-term investments-borrowings							
Total receivables and investments – assets		16					16
POLNORD MARKETING	1. Long-term investments – borrowings granted						
	2. Long-term receivables						
	3. Short-term receivables			1			1
	a) trade			1			1
	b) other						
4. Short-term investments-borrowings							
Total receivables and investments – assets			1				1
POLNORD BRAMIA SOPOCKA	1. Long-term investments – borrowings granted						
	2. Long-term receivables						
	3. Short-term receivables					132	132
	a) trade					132	132
	b) other						
4. Short-term investments-borrowings							
Total receivables and investments – assets					132	132	

Specification of loan receivables and financial income at Surplus Sp. z o.o. DOMITUS SKA as at 30.06.2014 r./for first half of 2014 - to related party

Related party	Receivables	Financial revenues
DEBTOR		
Polnord Osiedle Tęczowy Las	8 929	329
Polnord Marketing	-	11
Polnord Apartamenty	43 313	1 758
Polnord Sopot II	32 431	1 124
Polnord Łódź City Park	20 143	731
Wilanów Office Park Budynek B3	41 294	1 333
Wilanów Office Park Budynek B1	7 221	191
Polnord Szczecin Ku Słońcu	35 628	1 193
Śródmieście Wilanów	50 057	1 997
Surplus Sp. z o.o.	90	5
Surplus Sp. z o.o. SJ	57	2
Polnord Warszawa Ząbki Neptun	11 546	315
Polnord Gdańsk Dwa Tarasy	20 365	753
Polnord Gdynia Brama Sopotcka	11 019	132
10 H	30 448	446
Polnord SA	112	137
Semeko Aquasfera	4 981	160
Bioton	9 661	118
Fadesa	68 828	1 549
Stacja Kazimierz I Sp. z o.o.	205	4
Stacja Kazimierz Sp. z o.o.	42	4
Stacja Kazimierz Sp. z o.o. SKA	253	3
Total	396 623	12 295

Specification of loan receivables and financial income at Surplus Sp. z o.o. DOMITUS SKA as at 30.06.2014 r./for first half of 2014 - to related party

Related party	Receivables	Financial revenues
DEBTOR		
Surplus Sp. z o.o. DOMITUS SKA	48 990	505

25.2 PARENT COMPANY OF THE GROUP

As at 30.06.2014, Prokom Investments SA was the stockholder holding the largest share in the share capital (votes at the GSM) of Polnord SA.

25.3 ENTITY WITH SIGNIFICANT INFLUENCE ON THE GROUP

As at 30.06.2014, Prokom Investments SA, holding directly 21.08% of the share capital of Polnord SA and 4.62% indirectly through a subsidiary, Osiedle Wilanowskie Sp. z o.o.

25.4 RELATED PARTIES (PERSONAL RELATIONS)

There were no transactions with related parties that should be disclosed

25.5 BORROWINGS GRANTED TO MEMBERS OF THE MANAGEMENT BOARD

In the first half of 2014, no borrowings were granted to members of the Management Board.

25.6 OTHER TRANSACTIONS INVOLVING MEMBERS OF THE MANAGEMENT BOARD

In the first half of 2014, there were no transactions in the Group involving members of the Management Board of the Group companies.

26 FINANCIAL INSTRUMENTS

26.1 FAIR VALUE

Between 01.01.2014 and 30.06.2014, there were no differences between the carrying value and the fair value of the Group's financial instruments.

26.2 HEDGE ACCOUNTING

Neither in the first half of 2014 nor in 2013 there were no transactions of the Group to apply hedge accounting.

27 AUDITOR'S REMUNERATION

In 2014, the financial statements are subject to review and audit by an auditing company, Deloitte Polska Sp. z o.o. Sp. K, with its registered office in Warsaw.

Remuneration to the Auditor for the review of the annual standalone financial statements of the Group, the consolidated statements of the Polnord Group SA, and for a review of the interim standalone and consolidated financial statements totals PLN 222 thousand.

28 EVENTS AFTER THE BALANCE SHEET DATE

Events occurring after the balance sheet date are discussed in the Management Report in Chapter IV point 10.

VII INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY - POLNORD SA

1 SEPARATE PROFIT AND LOSS ACCOUNT

for the period between 01.01.2014 and 30.06.2014

Specification [000' PLN]	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013 <i>transformed data</i>
Sales revenue	15 950	11 292
Revenue from sales of products, goods and materials	2 261	
from related parties		
Revenue from sale of services	13 387	11 110
from related parties	13 102	10 113
Lease revenue	302	182
from related parties	107	36
Prime cost of sale	(2 263)	
Gross profit (loss) on sales	13 687	11 292
Revaluation of investment property	11 068	4 273
Result on sale of investment property		
Selling costs	(5 688)	(4 564)
General administrative expenses	(11 849)	(11 116)
Other operating revenue	473	141
Other operating expenses	(22 357)	(7 239)
Gross operating profit (loss)	(14 666)	(7 213)
Financial revenue	167	23 811
Financial expenses	(14 914)	(26 403)
Gross profit (loss)	(29 414)	(9 805)
Income tax	(1 085)	2 207
Net profit (loss) on continued operations	(30 499)	(7 598)
Net profit (loss) on discontinued operations	(1 555)	(1 457)
Net profit (loss) for the financial year	(32 054)	(9 055)

2 SEPARATE STATEMENT OF COMPREHENSIVE INCOME

for the period between 01.01.2014 and 30.06.2014

Specification [000' PLN]	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013 <i>transformed data</i>
Net profit (loss) for the financial year	(32 054)	(9 055)
Other comprehensive income:		
Items that may be reclassified to profit or loss in the future:	(1 170)	
Valuation of financial assets available for sale	(1 445)	
Income tax on components of other comprehensive income	275	
Comprehensive income for the period	(33 224)	(9 055)

3 SEPARATE STATEMENT OF FINANCIAL POSITION

as at 30.06.2014

Specification [000' PLN]	As at 30.06.2014	As at 31.12.2013 <i>transformed data</i>
ASSETS		
Fixed assets	1 368 386	1 394 379
Tangible fixed assets	1 583	2 312
Investment property	754 022	778 833
Intangible assets	545	581
Investments in subsidiaries, jointly-controlled subsidiaries and associates	478 402	473 361
Investments in associates measured with equity method		
Financial assets	7 379	12 562
Deferred tax assets		
Long-term receivables	126 455	126 730
Goodwill		
Other non-current assets		
Current assets	199 934	178 400
Inventories	78 145	80 056
Trade and other receivables	63 396	62 197
Other short-term financial assets	16 220	12 529
Receivables due to VAT, other taxes, customs duties, insurance and other	1 770	512
Income tax receivables		
Prepayments and accrued income	1 778	578
Cash and cash equivalents	38 625	22 528
Assets classified as held for sale	10 001	10 001
TOTAL ASSETS	1 578 321	1 582 780

Specification [000' PLN]	As at 30.06.2014	As at 31.12.2013 <i>transformed data</i>
LIABILITIES		
Equity	1 080 933	1 114 157
Share capital	65 266	65 266
Share premium	1 059 721	1 059 721
Other reserve capitals	257 639	245 004
Retained profits/Uncovered losses	(301 693)	(255 834)
Long-term liabilities	355 212	296 125
Interest-bearing bank loans and borrowings	349 418	291 128
Provisions	153	153
Other liabilities	3 000	3 013
Deferred income tax provision	2 641	1 830
Prepayments and accrued income		
Short-term liabilities	142 176	172 498
Trade and other liabilities	30 967	40 367
Current long-term portion of bank loans and borrowings	2 000	24 062
Short-term revolving loans		
Other short-term loans and borrowings	51 522	45 051
Liabilities due to VAT, other taxes, customs duties, insurance and other	464	2 059
Income tax liabilities		
Other financial liabilities		
Prepayments and accrued income	47	147
Advance payments received	1 584	2 676
Provisions	55 592	58 136
Other liabilities related to assets classified as held for sale		
Total liabilities	497 388	468 623
TOTAL EQUITY AND LIABILITIES	1 578 321	1 582 780

4 CONTINGENT LIABILITIES

as at 30.06.2014

Specification [000' PLN]	As at 30.06.2014	As at 31.12.2013 <i>transformed data</i>
Contingent liabilities		
Liabilities due to compensations*		
Other contingent liabilities		
Total contingent liabilities		
Contingent assets		
Tort claims from the Capital City of Warsaw	123 036	123 036
Other contingent receivables	46 400	46 400
Total contingent assets	169 436	169 436

*Polnord provides Group companies with guarantees securing the repayment of credit obligations related to financing development projects. However, due to the low likelihood of the outflow of funds from the Companies in relation to such guarantees being called, in line with IAS 37, the Company does not post conditional obligations under off-balance sheet items.

5 SEPARATE CASH FLOW STATEMENT

for the period between 01.01.2014 and 30.06.2014

Specification [000' PLN]	For the period from 01.01.2014 to 30.06.2014	For the period from 01.01.2013 to 30.06.2013 <i>transformed data</i>
Cash flows from operating activities		
Gross profit (loss)	(30 969)	(11 262)
Adjustments:	19 874	18 950
Depreciation and amortisation	357	444
Net interest and dividends	13 983	1 513
Profit/(loss) on investing activities	10 439	(9 322)
(Increase)/decrease in receivables	17 487	21 755
(Increase)/decrease in inventories	1 911	(1 519)
Increase/(decrease) in short-term liabilities excluding loans and borrowings	(21 147)	7 098
Change in prepayments and accruals	(34)	(2 099)
Change in provisions	(2 544)	1 152
Income tax paid		(72)
Other	(578)	
Net cash generated by operating activities	(11 095)	7 688
Cash flows from investing activities		
Inflows	20 566	53 258
Sale of tangible fixed assets and intangible assets	239	13
Sale of financial assets		1 547
Interest received	127	798
Repayment of loans granted	20 200	31 500
Redemption of third party bonds		19 400
Outflows	(29 220)	(58 920)
Purchase of investment properties	(140)	(4)
Purchase of investment properties	(8 725)	(2 250)
Purchase of financial assets	(25)	(3)
Loans granted	(20 330)	(56 663)
Net cash used in investing activities	(8 654)	(5 662)
Cash flows from financing activities		
Inflows	143 215	129 034
Inflows from issuance of shares		
Inflows from loans/borrowings taken out	60 120	12 534
Inflows from issuance of bonds	83 095	116 500
Outflows	(107 369)	(132 464)
Repayment of finance lease liabilities	(30)	(155)
Repayment of loans/borrowings	(68 966)	(8 000)
Interest paid	(11 857)	(18 809)
Redemption of bonds	(26 516)	(105 500)
Other		
Net cash generated by financing activities	35 846	(3 430)
Net increase (decrease) in cash and cash equivalents	16 097	(1 404)
Net foreign exchange gains/losses		
Cash and cash equivalents at the beginning of the period	22 528	17 842
Cash and cash equivalents at the end of the period, of which	38 625	16 438
Restricted cash	29	41

6 STATEMENT OF CHANGES IN EQUITY

for the period between 01.01.2014 and 30.06.2014

Specification [000' PLN]

Specification [000' PLN]	Share capital	Share premium	Other reserve capitals	Retained profits/uncovered (losses)	Total
As at 01.01.2013 pre-merger	51 266	1 026 169	224 131	(170 529)	1 352 147
Merger by acquisition	228 452		15 877	(23 402)	220 927
Adjustments in connection with the merger	(228 452)		(36 902)	736	(264 618)
As at 01.01.2013 after the merger	51 266	1 026 169	203 106	(193 195)	1 087 346
Result carried forward from previous period			50 581	(50 581)	
Total comprehensive income				(9 055)	(9 055)
				(14 928)	(14 928)
As at 30.06.2013	51 266	1 026 169	253 687	(267 759)	1 063 363
Share issue	14 000	36 050			50 050
Share issue costs		(2 498)			(2 498)
Managerial Option scheme			234		234
Total comprehensive income			(8 627)	22 860	14 233
			(290)	(10 935)	(11 225)
As at 31.12.2013	65 266	1 059 721	245 004	(255 834)	1 114 157
As at 01.01.2014	65 266	1 059 721	245 004	(255 834)	1 114 157
Share issue					
Share issue costs					
Result carried forward from previous period			13 805	(13 805)	
Managerial Option scheme					
Total comprehensive income			(1 170)	(32 054)	(33 224)
As at 30.06.2014	65 266	1 059 721	257 639	(301 693)	1 080 933

Gdynia, 29.08.2014

Piotr Wesołowski

Tomasz Sznajder

Katarzyna Brzózka

President of the Management Board

Vice-president of the Management Board

Main Accountant

C. INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1ST 2014 TO JUNE 30TH 2014

**AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014**

To the Shareholders and Supervisory Board of POLNORD S.A.

We have reviewed the attached condensed interim consolidated financial statements of the POLNORD S.A. Capital Group with POLNORD S.A. having its registered office in Gdynia, at Ślaska 35/37 Street, as the Parent Company, including a consolidated statement of financial position prepared as of 30 June 2014, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the period from 1 January 2014 to 30 June 2014 and notes, comprising a summary of significant accounting policies and other explanatory information.

Compliance of these condensed interim consolidated financial statements with the requirements laid down in IAS 34 "Interim Financial Reporting" as endorsed by the European Union ("MSR 34") and with other regulations in force is the responsibility of the Management Board and Supervisory Board of the Parent Company. Our responsibility was to review the financial statements.

Our review has been conducted in accordance with the national auditing standards issued by the National Council of Statutory Auditors. These Standards require that we plan and conduct the review in such a way as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

Our review has been conducted mainly based on an analysis of data included in the financial statements, examination of the accounting records as well as information provided by the management and the financial and accounting personnel of the Group.

The scope and methodology of a review of condensed interim financial statements differ significantly from an audit, which serves as the basis for expressing an opinion on compliance of annual financial statements with the applicable accounting principles (policy) and an opinion on their fairness and clarity. Therefore, no such opinion on the attached financial statements may be issued.

Based on our review, we have not identified any issues which would prevent us from concluding that the condensed interim consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in IAS 34 “Interim Financial Reporting” as endorsed by the European Union.

.....
Piotr Sokołowski
Key certified auditor
conducting the review
No. 9752

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

.....
Piotr Sokołowski – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 29 August 2014

The above auditor’s report on the review is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

D. INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF THE INTERIM CONDENSED
SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1ST 2014 TO JUNE
30TH 2014

**AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED
INTERIM SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014**

To the Shareholders and Supervisory Board of POLNORD S.A.

We have reviewed the attached condensed interim separate financial statements of POLNORD S.A. with its registered office in Gdynia at Śląska 35/37 Street, including a statement of financial position prepared as of 30 June 2014, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows for the period from 1 January 2014 to 30 June 2014 and notes, comprising a summary of significant accounting policies and other explanatory information.

Compliance of these condensed interim separate financial statements with the requirements laid down in IAS 34 "Interim Financial Reporting" as endorsed by the European Union ("IAS 34") and with other regulations in force is the responsibility of the Management Board and Supervisory Board of the Company. Our responsibility was to review the financial statements.

Our review has been conducted in accordance with the national auditing standards issued by the National Council of Statutory Auditors. These Standards require that we plan and conduct the review in such a way as to obtain reasonable assurance that the separate financial statements are free from material misstatement.

Our review has been conducted mainly based on an analysis of data included in the financial statements, examination of the accounting records as well as information provided by the management and the financial and accounting personnel of the Company.

The scope and methodology of a review of condensed interim financial statements differ significantly from an audit, which serves as the basis for expressing an opinion on compliance of annual financial statements with the applicable accounting principles (policy) and an opinion on their fairness and clarity. Therefore, no such opinion on the attached financial statements may be issued.

Based on our review, we have not identified any issues which would prevent us from concluding that the condensed interim separate financial statements have been prepared, in all material respects, in compliance with the requirements laid down in IAS 34 “Interim Financial Reporting” as endorsed by the European Union.

.....
Piotr Sokołowski
Key certified auditor
conducting the review
No. 9752

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

.....
Piotr Sokołowski – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 29 August 2014

The above auditor’s report on the review is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

E. STATEMENT OF THE MANAGEMENT BOARD ON THE ACCURACY OF THE INTERIM
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1ST
2014 TO JUNE 30TH 2014